

MINUTES

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

May 25, 2010

Royal Kona Resort, Resolution Room, 75-5852 Ali'i Drive, Kailua-Kona, Hilo

- MEMBERS PRESENT: Mr. Dwayne Mukai, Chairperson
Mr. Robert Meierdiercks, Vice-Chairperson
Mr. George Harai
Mr. Kenneth Kaneshiro
Mr. Bryan Lindsey
Mr. Joe Reynolds
Mr. Art Taniguchi
Mr. Milton Pavao, Manager, Department of Water Supply
(ex-officio member)
- ABSENT: Ms. Bobby Jean Leithead-Todd, Director, Planning Department (ex-officio member)
Mr. Warren Lee, Director, Department of Public Works (ex-officio member)
- OTHERS PRESENT: Ms. Kathy Garson, Assistant Corporation Counsel
Mr. Dan Huddleson
Mr. Jim Greenwell, Palani Ranch and Hawai'i Cattlemen's Association
Mr. Herbert M. "Tim" Richards III, Hawai'i Cattlemen's Council and Kahuā Ranch
Mr. Bud Patton
Ms. Barbara Housel
Mr. Fred Housel
Mr. Larry McCabe
Mr. Delan Perry
Ms. Wanee K. McCabe
- Department of Water Supply Staff
Mr. Quirino Antonio, Jr., Deputy Manager
Mr. Kurt Inaba, Engineering Division Head
Mr. Daryl Ikeda, Chief of Operations
Ms. Candace Pua, Assistant Waterworks Controller
Ms. Kanani Aton, Public Information and Education Specialist
Ms. Julie Myhre, Energy Management Analyst
Mr. Keith Okamoto, Engineering Division
Mr. Larry Beck, Engineering Division

CALL TO ORDER - Chairperson Mukai called the Meeting to order at 10:06 a.m. He asked the Board to introduce themselves. He welcomed incoming Water Board member Mr. Kenneth Kaneshiro, representing District 1.

STATEMENTS FROM THE PUBLIC:

Chairperson Mukai noted that written testimony had been received prior to today's meeting from Mr. Chris English regarding, Mr. Earl Spence of the Hawai'i Grazing Lands Conservation Initiative, and Mr. Tommy Goya.

Several members of the public signed up to testify, and the following are their verbatim testimonies:

MR. DAN HUDDLESON: As you all know that waterlines go down Kuni Street and come down to Tomi Tomi. We've been at this for about seven months now. I'm in a triangle there with Mark Jernigan, Fred Housel and Bud Patton, in a triangle there. And as they've been working on this road, the dust clouds come up and form, and we were not told of the excessive work that had to be done at Mark Jernigan's place. And they built a big pad up there, like a third runway of some kind, maybe 65, 75 feet square up there. And during this process, they did not use water trucks as they said they were going to. And now, it seems that they're at a standstill. They went to another job or something; the contractor has. We have some concerns around our driveway; that's a concrete driveway that we share with two other people. One of our neighbors allowed the construction company to come in and use that, and now it's just pulverized cement. Seventy-five, eighty feet is just pulverized and completely gone. And it has rebar in it right there at the corner of Tomi Tomi and Kuni. Besides, since the contractor pulled out is doing another job somewhere, there is no dust control whatsoever. Our driveway is a mess; you can hardly get up the driveway. My little car scrapes as I go up and down. It seems a complete lack of concern for the neighbors that have lived there. And that's why we moved there, because it was isolated, a comfortable place to be. And now...if this was in the Gulf, we'd have oil coming into our house. We've got dust and dirt everywhere, cement, erosion. I'd just like to see some time lines on something being done. The contractor has pulled out and went to do another job. That seems to be the nature of things. They get another, bigger job, then we're just left. With them saying we've got two years to finish the project, so we'll be back when we can. They make all kinds of promises but again... If we were buying a car, this would be called 'bait and switch.' They promised everything and delivered 60 percent. I'd like some answers on it. Time lines to get my driveway repaired, Tomi Tomi paved. Three of us neighbors got together and paved 250 feet of Tomi Tomi years ago, when nobody would do anything. Now that is the portion that is completely destroyed, and we can hardly use it. You can drive up it with a 4 x 4. Now that Kuni is straightened out somewhat – all the lumps are out – the traffic there is, the speed is intense, people there drive very fast there down the road, which creates more dust. I'd just like some answers on a time line, get some answers. I believe the heavy work is done, so I don't know why this can't be done.

CHAIRPERSON MUKAI: Thank you. As a reminder, when we take testimony, we're limited to a five-minute presentation. Bob Meierdiercks will be the timekeeper, and we'll go from there. Thank you, sir.

Mr. Reynolds asked if the Board could ask questions. Ms. Garson said no, but the Board may ask the testifiers to stay on for when the respective Agenda item comes up. Mr. Reynolds said he wanted to ask about the contract in question. Ms. Garson said such questions could be posed when the Palani Transmission Waterline Project item comes up later.

CHAIRPERSON MUKAI: Next, Jim Greenwell, regarding the ag water rates.

MR. GREENWELL: Thank you, Mr. Chairman and members of the Water Board. I'm Jim Greenwell. I'm here on behalf of Palani Ranch here in Kona, and also on behalf of the Hawai'i Cattlemen's Association, which is our island industry association, and I chair their Land Issues Committee. H.C.A. was well-represented at the Hilo and Kona public hearings that we had. We appreciated the opportunity. Today, a lot of guys are shipping and branding, so I'm the designated rep, but I'm here carrying that same message. Understandably, H.C.A. strongly advocates a differential ag

rate and continuing with it. Not unlike, it's true, in the other counties, at least on Maui and on Oahu. Because ag is important, we think, to the broader community. Grazers, we also pointed out, you figure, one animal per seven acres, about seven gallons a day, use perhaps about a gallon of water an acre. And when there's a little bit of rainfall, we think we more than recharge what we take. So there's a net contributor aspect, we think, at least from the grazing side. As land users of perhaps roughly one-quarter of the landscape, we're mindful of our responsibility to take care of that land as stewards, and its ecosystem service value, whether that's for watershed, habitat, visual and aesthetic benefits, cultural and recreational. And we really manage the land bank for other future ag uses. In this debate that we're having, this discussion in trying to find a fair water rate structure, we also recognize in our discussions, for us to find, at least, offer, some kind of compromise solution – which we did submit along with our testimony and with the resolution which we unanimously approved at our assembly meeting, which would treat the first two blocks of water usage, up to 15,000 gallons, as if, like any other general user. In other words, to treat the first blocks of water coming through like anybody else. You can put one residence on an ag parcel; you should pay the same rate. The break, if you will, on the ag side, was for the high volume use in excess of that. Unlike the Alternate B, or Option B, we did suggest, rather than stay flat, to let it increase some. I mean, we're all in business; we realize costs go up, and we're suggesting 85 cents, let it just creep up two cents a year, or something like that. It's hard to know exactly what you need to balance your budget, but we thought compromise was possible. We just suggest that maybe if you have time, to look at that, that it still makes some sense. I do have copies of that rate structure here if any of you are interested. I brought about 10 with me. And as was mentioned, I think, Chris English, the president who submitted the resolution we had circulated previously...that has been adopted; we all agreed fully, and it supported this proposed rate structure.. I'll be happy to stick around when this Agenda item comes up, if you have questions or whatever, I'll be available to respond.

CHAIRPERSON MUKAI: Thank you, Mr. Greenwell. Next, we have Herbert Richards III, Hawai'i Cattlemen's Council, with regards to the ag water rates.

MR. RICHARDS: Thank you, Mr. Chairman. Thank you, Council, for hearing us today. I'm here on behalf of Kahua Ranch as well as the Hawai'i Cattlemen's Council, which is a state umbrella organization for the cattlemen's associations throughout the island chain. I won't take too much of your time, but I do want to echo what Jimmy Greenwell just said concerning the water rates. Our industry uses about a million acres of the four million acres in our state. We take very seriously the stewardship of that land. The watershed, the aquifer recharge, are very, very important, and we don't take that lightly. We recognize that's a very important thing for our county, for our state. And with that, we keep in mind how we manage our lands. We do use water, but as Jimmy pointed out, the net water return to our aquifer, back to our society, is very important. So with keeping that in mind, we're very happy with the compromise. Again, I won't reiterate what you have before you. We recognize costs are going up; we do need to reflect that in our costs of production and we know you have to balance your budgets. That being said, agriculture is important to our state; it's important to our overall society structure. So we'd like you to consider our proposal and hopefully find it in favor. Thank you.

CHAIRPERSON MUKAI: Thank you. We have received written testimony from Donna Woolley. Is she still here? (Pause) So do I read this out, because she couldn't stay?

MS. GARSON: She signed up? Do you all have copies of it?

CHAIRPERSON MUKAI: Oh, she just walked in. Okay, I'll read it. The letterhead is Kona Coffee Council. I'll read it out here.

The text of Ms. Woolley's letter is as follows:

MS. WOOLLEY'S WRITTEN TESTIMONY: My name is Donna Woolley, President of the Kona Coffee Council. Thank you for allowing me to testify on behalf of the Kona Coffee Council and its 270 members about the proposed water rate increase.

As farmers our crops are dependent on many factors. One of which is water. Coffee needs water. In this current economic time where the cost of doing business continues to skyrocket, the profit margin gets smaller and smaller. We are and have been in a drought situation for some time now, for our crops to survive we must have water at (a) reasonable price. If the cost of water under the proposed Option A is approved you will be putting many farmers at risk of losing their livelihood.

And for those farmers who farm on Kamehameha Schools land they would be at risk not only of their livelihood but of their homes. Kamehameha Schools is requiring all of their Ag land to be farmed or you will lose your lease. I'm sure that it is not the intention for the Department of Water.

We are in favor of Option B.

Mahalo,

Donna Woolley, President
Kona Coffee Council

Mr. Taniguchi asked if the Board could have copies of the letter. Chairperson Mukai confirmed that the letter would be circulated.

CHAIRPERSON MUKAI: Next, we have Mr. Bud Patton, representing himself with regards to the Tomi Tomi Waterline.

MR. PATTON: Mr. Chairman, thank you, gentlemen. I am here as well to represent the people of Tomi Tomi. We've had a waterline project going through our neighborhood for the better part of seven months, and we've had a lot of promises made to us. The biggest thing we're here to complain about is the waterline is in; the heavy work is done but our neighborhood is a mess. There's dust; there's debris. There's a lot of things that have been said that they can't do because they have two years to finish the job. But nonetheless, we're still living with transient, migrating dust, and as you gentlemen are aware, that is not a legal situation. We're being bombarded, and I have some pictures here as evidence of what I'm talking about. The road, Kuni Road, that has been left unpaved because they need to test the waterline, is a big dust pit now, and the work has been stopped. CTS, the contractor, has pulled off. We have no idea when they're coming back. They're busy on another project, and so we get left just literally in the dust. And we don't think it's fair, and I know it's not legal. And we don't want to have to start bombarding the Health Department with that, that we're being abused. And you, as the Water Department, are responsible. You're the contracting entity here. That means you're liable for whatever damage is being done to our neighborhood. We want it to be cleaned up. There's no reason it can't be done in a timely manner, and I'd like to present, if I might, some pictures of what the situation is, and has been, on Tomi Tomi. The driveways have been demolished because they were allowed to be used by CTS, but they're too busy to fix it now. The rock walls have been knocked down, but they're too busy to fix it now. We'll fix it later, they said. But you know, we live there. And I think it's your responsibility to push the Water Department, to push their contractor to take care of us, get rid of this dust and this annoying situation that we have to live in. So I would like to pass these pictures on to you for your viewing, and I also have a list of grievances, so to speak, that we as the neighborhood, we expect our neighborhood to be put back in the situation the same as it was before. That was the promise. This is the list of things that need to be done to get to that point, and we would like your consideration and some help in pushing this forward. We've met with the contractor and the Department of Water numerous times. Just a couple of weeks ago, with the superintendent of CTS, and he said he'd have a gang in there coming up and doing this and doing that. Well, they came in and made a stab at it, but now they're gone again and we have no water on Kuni

Road. And if you look at the pictures of Kuni Road where the road lays after a rain, and what it looks like when somebody drives up and down, you'll understand the problems we've been subjected to. And like I said, you know, we hate to turn this into a legal thing or having to bombard the Health Department. That's why we're here this morning. Our neighborhood is here in force to ask for some help from you guys. So that's what we had to say, and here is the list of items that we feel needs to be taken care of, and we just hope for your help. I thank you very much.

CHAIRPERSON MUKAI: Thank you. Okay, next we have Barbara Housel, representing herself with regards to Tomi Tomi Waterline.

MS. HOUSEL: Good morning. I just really wanted to talk about the dust control issue. We live a little bit uphill, and the dust, when people drive up the hill, it's just everywhere. But the worst thing is, there are times when you're eating it. You can taste it in your mouth; you can feel like you're chewing grit. And that is really a concern for me. It's everywhere. It's in the house, but when it gets in your mouth, you know it's in your lungs. That's a real concern. You really need to get the project completed so we don't have to have that dust.

CHAIRPERSON MUKAI: Thank you. Next, I believe it's Larry McCabe, representing himself with regards to Tomi Tomi.

MR. MCCABE: Thank you, Mr. Chairman. I just want to reiterate what the other folks in our neighborhood have said. From my perspective, it's very frustrating. We came out as a neighborhood; we met with Mr. Pavao and Mr. Twigg-Smith. And we were told, you know, this thing's gonna be over before you know it. There's not gonna be any problems; we're gonna be in and out of here in six months, maybe less. They looked us right in the eye, and I bought it. I thought, wow, these guys are great. And now here we are, seven months later. You've heard all the other issues; I don't really have much to add, other than it's just frustrating. The contractor's gone. It's almost like one of those TV shows of a remodel gone bad...because it's half-done, the contractor's not available, and we're hoping someone will listen to me. We met with the Water Department and the contractor, and always they're, oh yeah, we'll get to it. So you've heard the other folks, I don't want to reiterate what they said.

CHAIRPERSON MUKAI: All right, thank you. Next, we have Delan or Delane Perry, representing himself.

MR. PERRY: Good morning. I didn't really come prepared to testify this a.m. I wanted to introduce myself because I'll be sitting on your Board in a month or so...shortly. The one thing I'd like to say at this point, and hopefully we talk about this later. I do support...I am president of the Big Island Farm Bureau, and I do support the cattlemen's proposal for the water rates for ag.

MR. REYNOLDS: How do you feel about 'Don't ask, don't tell'?

Mr. Perry laughs. His response is inaudible.

CHAIRPERSON MUKAI: Right, thank you. Next, we have Wanee McCabe, representing herself with regards to Tomi Tomi.

MS. MCCABE: I didn't realize I'd have the privilege to talk to you. We bought a house last year April. One of the things that intrigued me was the neighborhood, how the road was very clean, our driveway was so clean and paved. Just quiet, and all of this, were intrigued by it. Bought the house, of course, we liked the house, too. And then, a few months later, all that had gone. We were promised, too, like everyone else, on Tomi Tomi Drive, that it was going to be done in a certain, you know, time and all. And during that time, I think we were very cooperative with construction workers and all. And they had torn down the wall, the rock wall. They did put it back but it's not put back, how do you say that. Yeah, when a storm, rain, comes, all that gravel and soot just come into our property with the

rock wall. And during construction, they had used our driveway with heavy equipment and there's an oil spill and chips of our driveways, and so I think we were promised to repave that, and it hasn't done yet, and agree also with the dust matter. And so now we're asking when, you know, approximately when things will be back. So...thank you. I wasn't expecting to talk to you guys. I would've prepared better.

CHAIRPERSON MUKAI: You did fine, thank you. Next we have Fred Housel, representing himself on Palani Waterline.

MR. HOUSEL: Good morning, commissioners. You know, I testified to the Board last year in November after the project started in October. And one of the things that I brought up to the Board was the lack of dust control. And I was promised that they would strictly control the dust. Now, the photos that you see there of the excavation, of the cloud rising, and there's no dust control. That was taken in January, after my November testimony. Our neighborhood used to be a quiet, charming little neighborhood off the beaten path, and we love it like that. Since this project started in October, it's not been like that. It's ravaged. It's destroyed. And Bud (Patton) didn't mention it, but he's trying to sell his house. And there's dust clouds. There's unpaved road. There's litter. There's broken wall. There's damage everywhere. And how do you think that affects his sale of his house? Okay. There have been property pins, as you can see on the list, that have been removed, and we don't even know where the property lines are. So...the other factors. The rock walls that have been destroyed, that we have no idea when they're going to be repaired. And of all these things, the worst thing, the most serious thing, is the dust and the effect on our health. We can understand that, you know, there may be delays in projects and things like that. But there's no way anyone is entitled to endanger their health. If you look at some of those photos, that's of our lanai. And we put up a new canopy in March, brand new. And the photos show you dust all over it, dust on the lanai. And we're living with it, and we're breathing it, too. And so it's just not fair and not right to have this, you know, to take a chance with our health. As was mentioned before, the contractors pulled off the job. He could've had it finished by now. The whole thing could've been done. There's no reason why that couldn't have happened, other than he took another job. So we really ask for your support to help restore our neighborhood. That's all we're asking. We don't feel that's unreasonable. Thank you very much.

CHAIRPERSON MUKAI: Thank you. We did receive another written testimony prior to this morning's meeting. It was from Keith Unger of McCandless Ranch, and it's with regard to the ag rates. We all have it in our (packets) for the Board.

APPROVAL OF MINUTES:

Chairperson Mukai entertained a Motion to approve the Minutes of the regular meeting of the Water Board on April 27, 2010.

ACTION: Mr. Meierdiercks moved to approve; seconded by Mr. Lindsey. Motion carried unanimously by voice vote.

Chairperson Mukai entertained a Motion to approve the Minutes of the Public Hearing on Water Rates on May 4, 2010.

ACTION: Mr. Meierdiercks moved to approve; seconded by Mr. Taniguchi. Motion carried unanimously by voice vote.

Chairperson Mukai entertained a Motion to approve the Minutes of the Public Hearing on the Water Rates on May 5, 2010.

ACTION: Mr. Meierdiercks moved to approve; seconded by Mr. Reynolds. Motion carried unanimously by voice vote.

APPROVAL OF SUPPLEMENTAL AGENDA:

The Chairperson entertained a Motion to add Supplemental Agenda Item 7(G), WATER HAULING BID NO. 2010-06, PRICE AGREEMENT TO PROVIDE WATER HAULING SERVICES TO VARIOUS LOCATIONS ISLAND-WIDE (ON AN AS-NEEDED BASIS) FOR THE DEPARTMENT OF WATER SUPPLY to the Agenda.

ACTION: Mr. Harai so moved, seconded by Mr. Meierdiercks. Motion carried unanimously by voice vote.

ACTION TO MOVE AGENDA ITEMS:

Chairperson Mukai entertained a Motion to move up to the top of the Agenda, Item 7(P)(b) under MANAGER'S REPORT, Palani Road Transmission Waterline Project, followed by 7(O), WATER RATE STUDY, with the remainder of the Agenda moving down in order.

ACTION: Mr. Meierdiercks so moved, seconded by Mr. Reynolds, and carried unanimously by voice vote.

MISCELLANEOUS:

P. MANAGER'S REPORT:

- b. Palani Road Transmission Waterline Project – The Manager noted that DWS met several weeks ago with the community regarding this project, and various concerns were raised. The contractor, CTS Earthmoving, Inc., attended the meeting, and assured the community that they would do what they were supposed to do. The Manager expressed surprise that CTS subsequently pulled out. The Manager assured the Tomi Tomi Drive residents at today's meeting that DWS would get after the contractor to find out what is going on and why CTS pulled out. CTS had assured DWS that they would do what they said they would do. The Manager noted that there was a concern about paving Kuni Road, because the waterline has not been tested yet. In lieu of paving the road, CTS promised DWS that they would provide dust control. The issue was dust control on the weekends. At this point, DWS needs to sit down with the contractor to let him know how serious the problem is and have him do something, the Manager said. DWS had thought the dust control problem was settled, but obviously it is not.

Chairperson Mukai asked whether the contractor had done anything to address the community's concerns since the last time Mr. Housel testified (in November 2009).

The Manager said that at the time, the dust control that CTS was talking about basically involved Tomi Tomi Drive, but since then, the contractor has installed the waterline on Kuni Road. The reason that was not done first was due to the issue with Mr. Mark Jernigan's easement, which delayed progress. As a result, CTS had to work on Tomi Tomi Drive first. The intent was for CTS to come straight down the Jernigan easement to Tomi Tomi Drive, and finish that up. However, due to the easement issue with Mr. Jernigan, everything got done backwards. The Manager said while that was not an excuse, it is basically the reason for where the project stands today. He assured that Mr. Larry Beck, the project engineer, will go to meet with CTS to tell them the situation has to be taken care of. He noted that DWS has come out to numerous meetings with the local community regarding the situation.

Mr. Reynolds noted that because the residents are in his District 8, he met with them a month or so ago. Subsequently, the contractor promised that he would do something, and what he did was leave. Mr. Reynolds noted that DWS's project spread sheet shows that CTS's ending date is next year. He asked whether the contract was so loosely written that he can legally put off

doing these things with such a distant deadline. He noted that the contract started last October, and is scheduled to end sometime in 2011. He asked whether there was anything in the project that involves putting things back in place on some kind of a schedule, rather than waiting until 2011.

The Manager said every contract has a provision that stipulates that the contractor has to return everything to equal or better condition. The contract is for two years, and nothing stipulates which section must be done first. The issues at hand go beyond the contract; it is more of a moral obligation, a moral issue that the community cannot be treated as if they did not exist. Although it is not contractual, DWS has a moral obligation to ensure that it gets done, the Manager said. He added that DWS has leverage that the Department can make the contractor do it.

Mr. Reynolds suggested withholding payments to the contractor.

The Manager said that was easier said than done; it becomes a legal issue. He assured that DWS would talk to the contractor, and asked Mr. Beck to set up a meeting.

Mr. Reynolds said that the contractor has already said he would do it, and he has not.

The Manager said DWS would force him to do it.

Mr. Reynolds asked whether CTS's next job was also with DWS, or with someone else.

Mr. Meierdiercks said the other job was with the County.

Mr. Reynolds said he agreed with the Manager that it was certainly a moral obligation, particularly when somebody says he is going to take care of things and then just leaves and does not do it.

The Manager said that at the last meeting with CTS, DWS had the impression that he was going to send back a crew to take care of things.

Mr. Reynolds said he would not be in favor of voting for this contractor on any job that came up, if he is going to be unreliable and does not keep his word.

The Manager said that at the last meeting, the only outstanding issue was the paving of Kuni Road, because the waterline was not tested. Everything else was supposed to be taken care of, he said.

Mr. Inaba said that CTS did not necessarily pull out of their portion of the work, and will not do so until such time as everything is completed. He noted that currently, the bulk of the work is being done on the tank, which is being done by a sub-contractor. Right now, it is kind of a scheduling thing; it is not that CTS had pulled out of the job. Their perceived lack of concern for dust control may be because they are not at work in the area.

Mr. Reynolds said there was no excuse for CTS not putting things back in place.

Mr. Inaba said that CTS's timing in terms of testing the waterline, etc., does come into play with the contractor's schedule in finishing the rest of their work. He did not know how beneficial it would be to do everything way ahead of schedule and be unable to utilize the waterline. CTS would have to go back and re-test the waterline, among other things.

The Manager said that at this time, CTS can repair the wall and they can repair the driveways. One of the big issues was paving Kuni Road, because the waterline is not tested yet. DWS has to address that with CTS, he added.

Mr. Harai asked if DWS can impose some kind of penalty on the contractor over the dust issue, amid the health concerns of the residents. He noted that the contractor appears to be not really concerned.

The Manager said DWS would have to look at the contract, which is very specific about how the contractor gets paid and what they do, but there is no provision for penalties other than fines from the Department of Health (DOH). If DOH imposes a fine, DWS will surely pass it on to the contractor, he said. However, DWS does not want to get to that point and instead wants to resolve the issue. He asked Mr. Beck to set up the meeting with CTS.

Mr. Lindsey asked who oversees this project.

The Manager said there are two point people: Mr. Beck is the project engineer who makes all of the technical decisions, and DWS has an on-site inspector who is at the project site pretty much every day. He noted that Tomi Tomi Drive and Kuni Road comprise a small portion of the total project. Therefore, the inspector is on-site every day, but is present at where the majority of the activity is. Currently, that means the tank site.

Mr. Lindsey asked who would pursue expediting the paving of Kuni Road.

The Manager said it would be DWS's inspector and the County's inspector, because the work involves paving. The road is a public right-of-way, so the County gets involved.

Mr. Inaba noted that it would be DWS that would work to alter CTS's schedule.

Mr. Lindsey, noting that DWS would develop a timetable for the residents, asked who would be the one to keep things on track and ensure that the road gets paved on time.

The Manager said it would be Mr. Beck, as project engineer.

Mr. Taniguchi asked about whether the road shown in Mr. Patton's pictures was paved before it was dug up for the Palani project. (The Manager confirmed this.) Mr. Taniguchi then asked for confirmation that the dust problem is an issue on the weekends.

The Manager said that during the meeting at the Mayor's Office in Kona a couple of weeks ago, CTS had assured DWS that they would take care of the dust, and that the concern was with the weekends, because CTS is not there during the weekends.

Mr. Taniguchi said that CTS should be there on the weekends.

The Manager said that DWS told them that CTS should at least make a token pass through during the weekends. Before the waterline was put in on Kuni Road, there was no problem with dust because the area had vegetation. However, after grading, the vegetation was gone, and the dust problem arose. The Manager said DWS was going to talk to the contractor, but as Mr. Inaba alluded, DWS does not have the right to tell CTS how to do the work. In other words, DWS does not have the right to tell CTS to pave the road right after they dig it up. Logically, CTS needs to leave it unpaved until the waterline can be tested. Therefore, there will have to be some sort of compromise with the contractor to assure him that he needs to do this.

Mr. Taniguchi asked about dust control.

The Manager said that once the road is paved, the dust will be gone, but in the meantime, CTS needs to sprinkle. DWS has pressured CTS to sprinkle, because it is in the contract.

Mr. Taniguchi asked if CTS is not following the contract (as in not sprinkling), why should DWS pay them. He asked who is responsible.

Mr. Inaba said that CTS is directly responsible, and the so-called “determining agency” on the dust issue is DOH, who would fine the contractor. Even though CTS is not necessarily working in the Tomi Tomi area, they still need to come through with the water truck. He said the problem was that the sprinkling doesn’t keep the dust down very long out there.

The Manager said that one of the difficult things in the contract to grasp is that despite CTS’s lack of compliance with dust control, DWS does not legally have the right to penalize CTS. The agency with which CTS must comply on dust control is DOH. However, before things get to that point, DWS intends to let CTS know this is a serious issue and that CTS must do dust control. Even if it means DWS making a concession whereby DWS deviates on the contractor’s schedule, DWS will give CTS that concession.

Mr. Inaba said he was not sure that watering would solve the problem here, because CTS will sprinkle but in 10 or 15 minutes, it will be dry again and the dust will be kicked up. He doubted that CTS could bring in the water trucks often enough to control the dust in the entire area. Instead, he hoped that a more permanent solution could be arrived at.

Ms. Garson said that she would look at the contract for the specific provisions on dust control, and if CTS is not complying, then it should be a default. The issue is what would be the consequences for such a default. If there is anything contractual that DWS can do, Ms. Garson will advise DWS.

Chairperson Mukai called on Mr. Housel, who had a question.

Mr. Housel said he agreed that even if a water truck came through, the water quickly evaporates. He noted that the community had met with the Manager and the contractor on May 5. At that time, three weeks ago, CTS said they would work on a plan and report back to the community. However, the community has heard nothing from CTS, and the only thing that has happened was that CTS came to clean up some of the asphalt debris from the road. He noted that Kuni Road serves about five homes on the mauka end, and normally, those homes would exit up to Māmalahoa Highway. However, with the construction, the exit is blocked so residents cannot use it and so they have to go down Kuni Road. As a result, there is more traffic and dust coming down Kuni Road. At the May 5 meeting, the subject of testing the waterline out of sequence came up. To do so means extra expense, but the residents feel it is really necessary to be able to pave it, Mr. Housel said.

Mr. Reynolds asked if DWS advises residents in a neighborhood where a project is to take place that the residents should get something in writing from the contractor before DWS executes the contract. He asked whether the residents here were put on notice of any kind.

The Manager said DWS had two community meetings prior to actual construction, and the notices were published in the papers.

Mr. Reynolds asked whether DWS told the residents to get things in writing.

The Manager said that was not covered.

Ms. Aton said that regarding the meetings that have occurred, she was at the October 5 community meeting, where promises were made to the community that if everything went well and there were no delays, the contractor was expecting to prioritize the area first. However, the Jernigan easement came up and adjustments were made to the timeline. She noted that there were lots of meetings with the neighborhood areas in various communities encompassing

this vast project. This project extends beyond Tomi Tomi Drive, she added. DWS had followed up by phone with CTS's point person Nick. DWS also had meetings with the Mayor's Office, with Deputy Managing Director Wally Lau. The latest meeting was on May 5, and the first priority raised was clean-up, and the second priority was dust control. During that meeting, it was determined that CTS needed to double up on dust mitigation. The third priority was paving Kuni Road, following the testing of the waterline. There was an attempt this week to have a conference call with Mr. Nick Schmaltz of CTS to speak about the residents' list of priorities. DWS called Mr. Schmaltz regarding the list. The intention was to arrive at a timeline that was reasonable from the contractor's and the community's perspective. That is as far as things stand in terms of setting priorities, she said.

Chairperson Mukai asked that DWS keep the residents in the loop.

Ms. Aton said it was really important to know that DWS has been diligent in trying to create the bridge between the contractor, the community and DWS, the Mayor's Office and the public. The main thing is for all concerned to view themselves as being in the same project.

Mr. Kaneshiro asked if provisions such as dust control could be a bid item in contracts.

The Manager said that dust control is part of the contract.

Mr. Kaneshiro said it should be a bid item so that there would be a better chance of doing things like not paying due to non-performance.

The Manager said the Department would need to take a look at it. He said that DWS was definitely going to sit down with CTS this week.

Chairperson Mukai thanked the Tomi Tomi area residents for coming to the meeting.

The Chairperson called for a ten-minute break at 11:07 a.m. The meeting resumed at 11:17 a.m.

O. WATER RATE STUDY:

Discussion on water rate options provided by RW Beck and testimony provided at public hearings on May 4-5, 2010, and action to adopt new water rate schedule beginning July 1, 2010.

MOTION: Mr. Meierdiercks moved to approve Option B, with the exception to the first two blocks, which would be the same as Option A; seconded by Mr. Harai.

The Manager stated his position, that while the agriculture industry is very important, he did not think some consumers should be subsidizing other consumers. However, after hearing the public testimony and the sentiments of some Board members, he believed that if the Board wants to help the farmers, he would strongly recommend that the Board look at the water rates proposal offered by Hawai'i Cattlemen's Association (H.C.A.). The Manager said he believed H.C.A.'s proposal was the fairest and most equitable solution, because the proposal takes into consideration that a lot of people apply for ag rates just to get a low rate, but may not be actually farming or are not farming extensively. The proposal keeps the first two block rates the same for everybody, and the farmer gets a break *after* the second block rate. In other words, for water that people use to survive and to live, everybody pays the same. Somebody who is really farming will get the rate after the second block rate. If it is the Board's intention to assist the farmers, the Manager strongly recommended that the Board follow the H.C.A. proposal, with the provision that from the third block rate on, which would be specified as the ag rate, the ag rate should be increased by the same percentage as the general use rate. This

would mean that everybody gets the same percentage increase, while maintaining the ag rate. Therefore, if the general use rate from 2011 (the first year of the five-year water rate study) goes up by 5 percent, then the ag rate (after the second block, i.e., the third and fourth blocks) should also go up by 5 percent. The ag rate is currently 85 cents per 1,000 gallons now. If it goes up by 5 percent, the increase would be 4 cents, bringing the rate to 89 cents per 1,000 gallons. He reiterated that would kick in after the second block rate.

Chairperson Mukai asked for a clarification of the Motion first; he asked if Mr. Meierdiercks would repeat his Motion.

Mr. Meierdiercks said his Motion would be Option B, with the exception that Option A blocks would be used in the first two blocks.

Ms. Garson asked what would happen to the ag rates.

Mr. Meierdiercks said the third and fourth blocks would remain the same, as stated in Option B.

Mr. Taniguchi pointed out that Option B meant no increase to ag rates at all.

Mr. Meierdiercks said he made the exception to the first two blocks in his Motion.

The Manager confirmed this, saying the difference between Mr. Meierdiercks's proposal and the Manager's proposal was that with the Manager's proposal was for the ag rate after the second block to increase by the same percentage as the general use rate. Whatever the general use rate increase is, percentage-wise, the ag rate should increase by the same percentage.

Chairperson Mukai said he believed the H.C.A. proposal was to have the first two blocks for ag users be in line with the residential users.

The Manager said, yes, everybody would pay the same for the first two blocks.

Chairperson Mukai said that the third and fourth block would drop down to an ag rate, under the premise that true farmers use a great deal of water.

The Manager said that his proposal is that, whatever the general user rate increases percentage-wise, that percentage should be applied to the ag rates also. That way, everybody sees an increase.

Mr. Taniguchi said that the ag users would see an increase in the first two blocks already.

The Manager clarified that the ag rate portion kicks in after passing the second block. Under Option B, the ag rate stays the same. What the Manager is proposing is that the ag rate should not remain the same, and instead it should be increased by the same amount percentage-wise as the general use rate starting from 2011 through 2014.

Mr. Taniguchi said that the ag users currently do not pay the same rate as the residential users from the first gallon of water. Therefore, the idea is to increase the first two blocks to where the residential rate is, which would be a substantial increase for the first two blocks from what the ag users are paying now.

The Manager confirmed this, saying that when the ag user passes the second block, the ag rate kicks in. Currently the ag rate is a flat 85 cents per 1,000 gallons. If nothing is done to change Option B, the ag rate would remain the same, at 85 cents.

Mr. Taniguchi asked for a recap of the H.C.A. proposal.

Mr. Greenwell said he had brought about 10 extra copies of the proposal. He asked that the handwritten note on the right of the page be disregarded, because the figure might be off by a penny or two. The typed body of the proposal was exactly what H.C.A. was proposing.

Mr. Reynolds asked for clarification from Corporation Counsel regarding his understanding that whatever the Board votes for, the Motion under discussion involves Option B with some kind of modification. He also wanted confirmation that the Board would be voting to accept the rate for the fiscal years 2011 through 2014. He said he did not understand why the Board would be voting to increase rates beyond this fiscal year, when the Board does not know what DWS is going to need in the future.

The Manager said this was a good question; the Board always has the right to go back and make adjustments.

Mr. Reynolds asked why the Board would bother to include fiscal years in the future, since the Board needs to revisit this every year anyway, along with the Budget.

The Manager explained that the way the ag rate was developed was to provide for necessary income for a five-year period. That being said, the Board may always take a look at the rates every year.

Mr. Meierdiercks said that one reason that the Board went five years with the rate study was to project ahead five years in the future. If the Board took one year at a time, DWS would have a tremendous wage increase in the first year to cover expenses. Instead, the Board is trying to push that across the five-year period, with intended future increases to cover future costs, instead of hitting it all at once. That was what the five-year study involved. The Board could have asked the consultant, RW Beck, to do a 10-year study, but five years was a reasonable period of time. Perhaps the Board should have looked at the ag rate over a 10-year period, instead of a five-year catch-up type of thing, he said.

The Manager said that the current arrangement with RW Beck means DWS does not have to bring them in every year, and instead what DWS is paying for extends over a five-year period.

Mr. Reynolds said that the Board is looking at the Budget every year, and DWS may or may not need what the study has indicated.

The Manager confirmed this, as did Mr. Meierdiercks.

Mr. Reynolds said that in his experience most studies were worthless. To him, the RW Beck study was canned stuff, with predictions that do not even include alternative sources of energy. The assumption in the study is that five years from now, DWS will have the same fossil fuel problems it has now. That may or may not be the case, he added. He said that he preferred to vote year by year, rather than leading the public to believe that this is the increase for the next four years when it may be adjusted higher during that time.

The Manager noted that going year to year with the rates means having to hold public hearings on rates every year.

Ms. Garson noted that for planning purposes, the cost of doing a study is around \$80,000 to \$100,000.

Mr. Reynolds said the study should be done internally; there was no reason to go outside to do it.

Ms. Garson noted that the reason for the study is that the Department cannot, for example, set rates so high that they would exceed about a 15 percent overage (i.e., excess revenue). She read from the Hawai'i Revised Statutes §54-63 which stipulate that the Board may fix and adjust rates "so that the revenues derived therefrom shall be sufficient to make the waterworks and water systems self-supporting and to meet all expenditures authorized." The consultant looks at the predicted expenditures, knowing that DWS cannot make revenues more than 15 percent.

Chairperson Mukai said that any organization needs to do projections, and needs to have a plan in place. He acknowledged that whatever rates that the Board votes on are subject to change, as may be necessary. A plan such as a rate study is a necessary evil.

Mr. Harai said he was hoping that the Board would accept the H.C.A. rate proposal, but wondered if it would mean having to hold more public hearings.

Ms. Garson said, it would not be necessary, if the rates are within the ranges of Options A and B. If the Board came up with something greatly in excess of the two options, there might be a problem.

The Manager noted that during the public hearings, no one raised concerns about the general use rates; the concerns raised were all about the ag rates. He reiterated that the H.C.A. proposal was the most equitable way, with a 2-cent increase per year, with the addition of having whatever the general use percentage be applied to the ag rate. If it is 5 percent for general use, then it should be 5 percent for the ag rate.

Mr. Taniguchi recapped, noting that the Manager is basically saying from 2011 to 2014, the rates are going up roughly by 6 percent, whereas the H.C.A. proposal has the increase at roughly 2 percent.

The Manager confirmed that his proposal was for 6 percent, with everybody's increase the same.

Mr. Taniguchi noted that the second year of the RW Beck plan has no increase at all, while the H.C.A. is saying that it would go up another 2 percent, which was not that bad because the rates would be gradually going up.

The Manager said that for DWS, it is easier if the increase is across the board. It would make more sense because everybody would be subject to the same percentage increase.

Mr. Taniguchi said that if you look at the H.C.A. proposal, it is not that bad a deal.

The Manager confirmed that he could live with that, it is just that in his proposal, it is just that the percentage would be different.

Mr. Taniguchi said it was an incremental rise, instead of a sudden whammy at one time, with no increase the following year. This is as opposed to the H.C.A. proposal which raises rates little by little. He said that to him, the gradual increase was more preferable.

The Manager said that the most beneficial thing was that for the first two blocks, everybody would be charged the same, for the water that everybody needs to survive.

Chairperson Mukai said that the gentlemen farmer issue was raised the American Waterworks Association (AWWA) conference he recently attended on Oahu. While some of the other counties are handling the issue with separate meters and other measures, he believed the H.C.A. proposal addressed the issue very well.

Mr. Harai noted that there was a Motion on the floor.

Chairperson Mukai confirmed this, saying as a point of information, the Board was actually talking about another proposal, versus the Motion on the floor. He asked if the Board was gravitating towards the other proposal being discussed, should the Board vote against the Motion on the floor.

Mr. Harai said the Board could withdraw the Motion.

The Manager said the simplest thing was to withdraw the Motion.

Ms. Garson said that it may be that the H.C.A. proposal does not pass; the Board does not want to get stuck with the fact that it just voted something down.

Mr. Taniguchi suggested making another Motion.

Chairperson Mukai said what Ms. Garson was saying that the Motion is on the floor, and if the Board votes it down, it would be difficult to revisit it later on.

Ms. Garson said the Board would not bring the same Motion.

Chairperson Mukai asked whether Mr. Harai wanted to withdraw the Motion.

Ms. Garson said it was Mr. Meierdiercks's Motion.

MOTION WITHDRAWN: Mr. Harai withdrew his second; Mr. Meierdiercks withdrew his Motion.

Chairperson Mukai said he would entertain a Motion.

Mr. Taniguchi noted that between the two extremes of Option A and Option B, the H.C.A. proposal is in between. He noted that the Board had received another proposal from the public as yet another option. He said he would like to move that, rather than decide right now what the rates are going to be, that the Board study these options and come to a happy medium for everyone. The H.C.A. proposal is very practical, as was the one that came in from the public. Mr. Taniguchi proposed deferring the actual rate decision until the next Water Board meeting on June 15, so that the Board can get more data.

Mr. Reynolds asked if that was a Motion to table the decision.

MOTION TO DEFER: Mr. Taniguchi said yes, the Motion is to defer until the Board can get more information.

Ms. Garson clarified that the Board would be deferring until the next meeting, on June 15.

The Manager said that would give the Department enough time. He asked Ms. Pua if Finance Division would have enough time to redo the computer billing system in order to have the new rates in place by July 1.

Ms. Pua confirmed that she thought this was possible.

Chairperson Mukai asked Mr. Taniguchi to make a Motion to table the decision.

Mr. Taniguchi said he already did.

Chairperson Mukai said there was no second.

Mr. Reynolds seconded.

Ms. Pua noted that the rate on the bills for July would be at the old rates.

Ms. Garson confirmed that the Board was deferring to consider other options. She suggested getting the data under consideration to the consultant to make sure that whatever adjustments need to be made, are made. Her fear was that taking a bit of this and a bit of that, or something that has not be studied yet, may lead to unintended consequences -- or the numbers may not work for what DWS is required to do by statute. She suggested that the consultant be given clear direction to study the H.C.A. proposal or whatever else the Board is considering, within that time frame. It may mean extra expense to the Department, so the Board may need to approve up to a certain amount to cover it. The Board should avoid deciding on a rate that is not justifiable.

Mr. Reynolds said all that the Board is doing now is tabling the decision, and the Department's job is to get the data together between now and June 15.

Ms. Garson said she wanted to hear from the Board what the Board is considering – is it the H.C.A. proposal or what else is the Board considering, so that DWS can have the study done.

Mr. Taniguchi noted the other proposal (submitted by a private individual).

Chairperson Mukai said that he felt that a proposal submitted by an association and its membership carried more weight than an individual.

Ms. Garson said she was worried that, come June 15, there might be an Option C, which would raise problems.

Mr. Taniguchi said as long as the proposal was in-between, like the H.C.A. proposal is.

Mr. Meierdiercks said that a proposal has to work.

Chairperson Mukai proposed going back to RW Beck to have them see how the H.C.A. proposal works in the grand scheme of things, and also Mr. Meierdiercks's Motion that was withdrawn.

The Manager said it was pretty clear that DWS needs to go back to RW Beck and show them the H.C.A. proposal, because no matter which option is chosen, the net income to the Department cannot change. The only thing the Board needs to clarify now, so that DWS can talk to the consultant, is whether the Board wants to maintain the 2 cents per year increase in the H.C.A. proposal, or the Manager's proposal of the percentage increase. He added that the Board could pose to RW Beck both ways.

Mr. Taniguchi pointed out that at the Hilo Public Hearing, he had asked (Ann Hajnosz) of RW Beck if she could take back with her the H.C.A. proposal presented that evening to run the numbers, and Ms. Hajnosz said that she would do so. He asked if DWS had received anything back.

The Manager said no, but DWS would talk with Ms. Hajnosz.

Mr. Taniguchi said that Ms. Hajnosz had assured him that she would take a look at the H.C.A. proposal to see if it would work.

The Manager said that DWS would talk with her, and said that the consultant should look at the options before them. Regarding the option that came in the mail from a private individual, he did not think there was enough time.

Chairperson Mukai agreed.

Mr. Taniguchi agreed, saying it was not practical.

The Manager said the Department would just go to RW Beck with both ways; either the 2 percent constant increase or the same percentage.

Chairperson Mukai noted that Mr. Meierdiercks's proposal was a hybrid of Option B.

Mr. Meierdiercks confirmed this, that it was a hybrid of Option B, with a couple of cents' increase. He said that the Board was trying to plan for five years, and was trying to produce a rate structure for five years – which the Board could change anytime. The main thing is that DWS needs something to work with now, and time is growing short. The idea is to get something that is workable now, and there will be time to work with other options.

Mr. Greenwell said that the H.C.A. does not really care which way it goes because it is really close. The 2 cents, the cattlemen thought, was in the ballpark, and the cattlemen were certainly not going to be testifying against one way or the other. He expressed appreciation for the Board's approach and its concern. The H.C.A. is supportive of whichever way the Board is comfortable with.

Chairperson Mukai thanked Mr. Greenwell. To summarize, the Board would go back to RW Beck with the H.C.A.'s proposal, asking the consultant to crunch the numbers to ensure that they work.

Mr. Reynolds said there was a Motion on the floor, and all of this extraneous discussion was out of order. He said the Board should be voting on the Motion on the table.

Chairperson Mukai called for the question on the Motion, which was to defer a decision on rates to the June 15 meeting.

ACTION: Motion carried unanimously by voice vote.

SOUTH KOHALA:

A. JOB NO. 2004-850, WAIMEA TREATMENT PLANT SLUDGE DRYING BEDS:

The contractor, Goodfellow Bros., Inc., requested a 33 working-day time extension. This request is due to additional work beyond the original project scope. The additional work is comprised of the following:

- Change Order 1: Work to install additional silt fencing for runoff control (1 working day), work to install additional parking stalls as required by Planning Department (5 working days), and work to concrete jacket an existing private waterline discovered under the drying bed structure (6 working days);
- Change Order 2: Work to install cleanout and additional piping (1 working day); and
- Change Order 3: Work to install additional electrical infrastructure (20 working days).

Staff has reviewed the request and finds that the 33 working days are justified. The 33 working days converts to 48 calendar days (including weekends and holidays).

This is the third extension request.

Ext. #	From (Date)	To (Date)	Days (Calendar)	Reason
1	5/19/2009	3/4/2010	289	Process Building permit
2	3/5/2010	6/18/2010	107	Process Building permit
3	6/19/2010	8/5/2010	48	<i>Additional work including: silt fencing, parking, concrete jacketing, piping and electrical</i>
Total Days (including this request)			444	

The Manager recommended that the Board approve a contract time extension to Goodfellow Bros., Inc., of forty-eight (48) calendar days from June 19, 2010 to August 5, 2010, for JOB NO. 2004-850, WAIMEA WATER TREATMENT PLANT SLUDGE DRYING BEDS.

ACTION: Mr. Meierdiercks moved to approve; seconded by Mr. Reynolds, and carried unanimously by voice vote.

KA‘U:

A. HAWAIIAN OCEAN VIEW ESTATES:

The Manager noted that the Board had received the Department’s response to the legislative investigation. He viewed it positively, saying this was an opportunity to show once and for all that DWS did what it was supposed to do, on time, and everything came out okay. The response is a lengthy document, and he asked that the Board please read it. Ms. Shari Komata, Mr. Inaba and the Manager had all worked on the response, which is now on its way to the Mayor, because Representative Bob Herkes had addressed his letter regarding the investigation to the Mayor. The Manager expressed hopes that the Mayor will send the response to the Legislature on time.

Mr. Reynolds asked whether the investigating committee was active now, and if there was anyone at the Legislature now to receive the response.

The Manager said no, the response goes to the Speaker of the House.

Mr. Reynolds said the response will sit there till next January.

The Manager said he did not know, but DWS was given a deadline of June 1 to submit its response.

Mr. Reynolds said the Legislature is not in session.

The Manager said all he knows is that DWS addressed every single concern, provided all of the documentation and all of the proof. There is no way that anything written in the response can be contested. The Manager attended a meeting in Ocean View with the Mayor last week, and the issue of water came up. What ensued was a shouting match involving some of the people there, who still do not believe that DWS is not misusing the money. The Manager lamented that he cannot make the people understand that DWS does not even have the money; all of the money is with the state. The state will not release the money without bona fide invoices from the contractor. DWS does not have the money, he said.

Mr. Reynolds asked if Rep. Herkes attended the meeting.

The Manager said no.

Mr. Taniguchi confirmed that the letter to the editor that the Manager had written was accurate.

Mr. Reynolds said that the reason he asked about Rep. Herkes is because Rep. Herkes, as a member of the Legislature, knows what is happening with the money. He may play dumb as a political ploy, but he knows what is happening with the money. Mr. Reynolds said, "We asked him."

The Manager said that all Rep. Herkes had to do was to ask the Department of Accounting and General Services (DAGS), because that is where all of the money is.

Mr. Reynolds said if Rep. Herkes has not asked DAGS about the money, shame on Rep. Herkes.

Chairperson Mukai thanked the Manager for the response and the letter to the editor. Every question that the Board had had was adequately and quickly addressed, he said. He noted how it was amazing that educated people are not educated. He commended the Department for a job well done.

MISCELLANEOUS:

A. DEDICATION OF WATER SYSTEMS:

The Department received the following documents for action by the Water Board. The water systems have been constructed in accordance with the Department's standards and are in acceptable condition for dedication.

1. DEED (TANK SITE)

Grantor: Ki'ilae Estates, LLC
Tax Map Key: (3) 8-5-006:030 (Lot 50-A, Tank Site)
E.W.O. 2008-012

2. BILL OF SALE

Tank (reservoir) at Ki'ilae Farms Subdivision
Seller: Ki'ilae Estates, LLC
Tax Map Key: (3) 8-5-006:030 (Lot 50-A Tank Site)
E.W.O. 2008-012
Facilities Charge: (Previously paid on 06/28/2007 together with Phase I)
Final Inspection Date: *To be announced at the meeting*
Water System Cost: *To be announced at the meeting*

3. BILL OF SALE

Phase 2 Water System of the Ki'ilae Farms Subdivision
Seller: Ki'ilae Estates, LLC
Tax Map Key: (3) 8-5-006:031 (portion) & 032 and 8-5-007:020 & 021
(Roadway Lots)
E.W.O. 2008-012
Facilities Charge: (Previously paid on 06/28/2007 together with Phase I)
Final Inspection Date: *To be announced at the meeting*
Water System Cost: *To be announced at the meeting*

The Manager recommended that the Water Board accepts these documents subject to the approval of the Corporation Counsel and that either the Chairman or the Vice-Chairman be authorized to sign the documents.

MOTION: Mr. Meierdiercks moved to approve all three of the above; seconded by Mr. Harai.

Mr. Inaba provided information regarding Nos. 2 and 3. The final inspection date was May 24, 2010, and the total water system cost is \$1,750,423.23.

ACTION: Motion carried unanimously by voice vote.

B. MATERIAL BID 2010-05, FURNISHING AND DELIVERING WATER METERS, FIRE HYDRANTS, VALVES, CHLORINATORS, PUMPS, PIPES, SCADA, MOTORS, AND MISCELLANEOUS ITEMS FOR THE DEPARTMENT OF WATER SUPPLY STOCK:

Bids for this project were opened on May 11, 2010; at 2:00 p.m. The contract period for all Parts is one year, from July 01, 2010, to June 30, 2011. All Parts are established price agreements for materials on an "As-Needed Basis."

The Manager recommended that the Board award the contract to the following bidders for MATERIAL BID NO. 2010-05, FURNISHING AND DELIVERING WATER METER, FIRE HYDRANTS, VALVES, CHLORINATORS, PUMPS, PIPES, SCADA, MOTORS AND MISCELLANEOUS ITEMS FOR THE DEPARTMENT OF WATER SUPPLY STOCK, on an as-needed basis, as listed below, and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract(s), subject to review as to form and legality of the contract(s) by Corporation Counsel. The contract period shall be from July 01, 2010, to June 30, 2011.

PART NO.	DESCRIPTION	BIDDER	AMOUNT
1	DUCTILE IRON PIPES	Ferguson Enterprises, Inc.	\$206,685.50
2	DUCTILE IRON FITTINGS	Ferguson Enterprises, Inc.	\$99,152.80
3	COPPER TUBING	Ferguson Enterprises, Inc.	\$131,548.55
4	GALVANIZED PIPES T & C (THREADED & COUPLED)	Ferguson Enterprises, Inc.	\$14,856.80
6	INTEGRATED ENCODER AND METER INTERFACE UNIT/AUTOMATIC METER READING	Ferguson Enterprises, Inc.	\$193.74
7	5/8" WATER METERS	Badger Meter, Inc.	\$76,500.00
8	1" – 2" WATER METERS	Badger Meter, Inc.	\$15,262.50
9	METER BOXES AND COVERS	Ferguson Enterprises, Inc.	\$66,275.00
10	COMPOUND WATER METERS	Ferguson Enterprises, Inc.	\$16,309.64
11	TURBINE METERS AND STRAINERS	Ferguson Enterprises, Inc.	\$21,729.87
12	DETECTOR CHECK METERS	Ferguson Enterprises, Inc.	\$5,906.59
13	FIRE SERVICE METERS	Ferguson Enterprises, Inc.	\$30,878.73
14	FIRE HYDRANTS	A.P. Water Supply, Inc. dba HIW-Hawaii	\$54,287.00
15	AMERICAN DARLING FIRE HYDRANT EXTENSION KIT	Ferguson Enterprises, Inc.	\$5,088.27
16	MUELLER FIRE HYDRANT EXTENSION KIT	A.P. Water Supply, Inc. dba HIW-Hawaii	\$3,115.00
17	CORPORATION AND CURB STOPS – BALL TYPE	Ferguson Enterprises, Inc.	\$50,476.82
18	BALL VALVES	Ferguson Enterprises, Inc.	\$97,654.50
19	BALL VALVE, PACK JOINT X METER COUPLING	Ferguson Enterprises, Inc.	\$21,678.98
20	PACK JOINT COUPLING	Ferguson Enterprises, Inc.	\$20,111.49
21	HOSE BIBBS	Ferguson Enterprises, Inc.	\$742.34
23	NUTS, BOLTS, AND THREADED RODS	Ferguson Enterprises, Inc.	\$40,213.40
24	PRESSURE REGULATORS	A.P. Water Supply, Inc. dba HIW-Hawaii	\$897.00
25	GATE VALVES – 3" AND LARGER, 125# CLASS	A.P. Water Supply, Inc. dba HIW-Hawaii	\$34,532.00

26	GATE VALVES – 3” AND LARGER, 250# CLASS	Ferguson Enterprises, Inc.	\$77,177.19
27	BUTTERFLY VALVE, 125# CLASS	A.P. Water Supply, Inc. dba HIW-Hawaii	\$79,880.00
28	BOOSTER AND DEEPWELL PUMP CONTROL BALL VALVES	Ferguson Enterprises, Inc.	\$378,704.80
29	AUTOMATIC CONTROL VALVES	A.P. Water Supply	\$848,778.00
30	PRESSURE REGULATING VALVES	TK Process Hawaii, LLC	\$367,303.41
31	ANTI-CAVITATION VALVE	TK Process Hawaii, LLC	\$139,769.42
32	INDUSTRIAL ACTUATOR	TK Process Hawaii, LLC	\$11,339.21
33	DIGITAL HIGH-RESOLUTION CONTROLLER	TK Process Hawaii, LLC	\$1,570.75
34	MECHANICAL SEALS	Kaman Industrial Technologies, Corp.	\$62,990.00
35	MOTORS	Kaman Industrial Technologies, Corp.	\$1,174,794.00
36	SUBMERSIBLE MOTORS (NEW ONLY)	Beylik Drilling & Pump Service, Inc.	\$3,973,908.00
37	SUBMERSIBLE MOTORS (REFURBISHED AND REWIND ONLY)	Beylik Drilling & Pump Service, Inc.	\$1,296,180.00
39	CENTRILIFT VARIABLE SPEED DRIVE PARTS	Beylik Drilling & Pump Service, Inc.	\$37,047.31
40	VARIABLE FREQUENCY DRIVES	TK Process Hawaii, LLC	\$6,365,403.08
41	LOW HORSEPOWER VFD (1/4 HP – 15 HP 460 VAC)	TK Process Hawaii, LLC	\$6,956.50
42	SOLID STATE REDUCED VOLTAGE SOFT STARTER & SPARE PARTS	TK Process Hawaii, LLC	\$1,203,277.88
43	POWER MONITORING EQUIPMENT	Engineered SCADA Solutions, Inc.	\$11,494.14
44	3 PHASE MONITOR RELAY	Engineered SCADA Solutions, Inc.	\$507.80
45	DC POWER SUPPLIES	Engineered SCADA Solutions, Inc.	\$140.00
46	SURGE ARRESTORS	TK Process Hawaii, LLC	\$25,678.23
47	COMMUNICATION HARDWARE, SOFTWARE AND SERVICE	TK Process Hawaii, LLC	\$79,752.70
48	GROUNDING EQUIPMENT	TK Process Hawaii, LLC	\$928.64
50	RADIO EQUIPMENT	Engineered SCADA Solutions, Inc.	\$7,808.45
51	AUTODIALERS	SCADA & Control Systems, LLC	\$234.00
52	SCADA SYSTEM	Engineered SCADA Solutions, Inc.	\$38,922.14
53	AUTOMATION AND CONTROL SYSTEMS	SCADA & Control Systems, LLC	\$3,409.00
54	PROGRAMMING SERVICES	SCADA & Control Systems, LLC	\$640.00
55	REPLACEMENT BATTERIES	SCADA & Control Systems, LLC	\$171.00
56	UNINTERRUPTIBLE POWER SUPPLY (UPS)	SCADA & Control Systems, LLC	\$754.00

57	PRESSURE TRANSDUCER	SCADA & Control Systems, LLC	\$746.00
58	PRESSURE TRANSMITTER	Endress + Hauser	\$888.23
59	FLOW SWITCH	SCADA & Control Systems, LLC	\$402.00
60	MAG METERS	Hawaii Engineering Services	\$214,234.00
61	DIRECT CURRENT MAG METERS	Hawaii Engineering Services, Inc.	\$133,525.00
62	CIRCULAR CHART RECORDER	SCADA & Control Systems, LLC	\$1,844.00
63	PAPERLESS DIGITAL RECORDER	SCADA & Control Systems, LLC	\$6,860.00
65	CHLORINATORS	CBC, Inc.	\$3,476.22
66	CHLORINE GAS FEEDER	OneSource Distributors	\$9,279.40
67	CHEMICAL FEEDER PUMP	TK Process Hawaii, LLC	\$5,943.00
69	WATER QUALITY EQUIPMENT	Hach Company	\$30,222.35
70	LEAK NOISE DATA LOGGERS	TK Process Hawaii, LLC	\$21,244.01
71	HATCH FRAMES AND COVERS	BK, Inc.	\$5,425.00
72	HIGH DENSITY POLYETHYLENE PIPE	Ferguson Enterprises, Inc.	\$18,504.00

For the following Parts: 5 (High Density Polyethylene (HDPE) Discharge Tubing), 22 (Inverted Marking Paint), 38 (Industrial Motor Lead Cable), 49 (Telecommunications Tower), 64 (Tablet Chlorinators), 68 (Digital Chlorine Cylinder Scales), no bids were received.

For the Parts where no bids were received, staff shall obtain quotations in the best interests of the Department, in accordance with all applicable procurement requirements.

MOTION: Mr. Meierdiercks moved to approve; seconded by Mr. Lindsey.

Mr. Ikeda said these were just items that DWS put out to bid that the Department may order during the year, on an as-needed basis. When DWS needs them, the Department has contracted items so DWS does not need to get quotes every time. This applies to all of the six material bid items on this Agenda, he noted. These are just price agreements.

Ms. Garson said that if DWS wants to buy an item, the item must be purchased for the prices listed here, and the certification of funds would be done at the time DWS wants to buy the item.

Chairperson Mukai confirmed that these were all the low bidders.

ACTION: Motion carried unanimously by voice vote.

C. MATERIAL BID NO. 2010-03, FURNISH BASE COURSE, SAND, COLD MIX, HOT MIX, PORTLAND CEMENT, AND NO. 3F ROCK TO THE DEPARTMENT OF WATER SUPPLY:

Bids were opened on May 12, 2010, at 2:00 p.m. and the results are as follows. The contract period is for one year, from July 1, 2010, to June 30, 2011. All Parts are to establish price agreements for material on an “As-Needed Basis.”

		Jas. W. Glover, Ltd.	Yamada & Sons, Inc.	Grace Pacific Corporation
	DISTRICT I:			
A.	3/4-Inch Base Course (Cost per ton)	\$17.71	\$17.20	No Bid
B.	1½-Inch Base Course (Cost per ton)	\$16.15	\$16.70	No Bid
C.	No. 3F Rock (Cost per ton)	\$28.12	\$20.31	No Bid
D.	#4 Sand (Cost per ton)	\$37.50	\$39.50	No Bid
E.	Mortar Sand - ASTM C144 (Cost per ton)	\$57.29	No Bid	No Bid
F.	Portland Cement 94 lb. bags (Cost per bag)	\$21.87	No Bid	No Bid
G.	Cold Mix- ASTM D4215-87 (Cost per ton)	\$122.92	\$133.45	No Bid
H.	Blended Material 60% #4 Sand and 40% No. 3F Rock (Cost per ton)	\$48.44	\$52.10	No Bid
I.	Hot Mix – County Mix IV	\$122.40	\$120.41	No Bid
	DISTRICT II:			
A.	3/4-Inch Base Course (Cost per ton)	No Bid	No Bid	No Bid
B.	1½-Inch Base Course (Cost per ton)	No Bid	No Bid	No Bid
C.	No. 3F Rock (Cost per ton)	No Bid	No Bid	No Bid
D.	#4 Sand (Cost per ton)	No Bid	No Bid	No Bid
E.	Mortar Sand - ASTM C144 (Cost per ton)	No Bid	No Bid	No Bid
F.	Portland Cement 94 lb. bags (Cost per bag)	No Bid	No Bid	No Bid
G.	Cold Mix- ASTM D4215-87 (Cost per ton)	No Bid	No Bid	No Bid

	DISTRICT III:	Jas. W. Glover, Ltd.	Yamada & Sons, Inc.	Grace Pacific Corporation
A.	3/4-Inch Base Course (Cost per ton)	\$79.17	No Bid	No Bid
B.	1½-Inch Base Course (Cost per ton)	\$77.08	No Bid	No Bid
C.	No. 3F Rock (Cost per ton)	\$89.58	No Bid	No Bid
D.	#4 Sand (Cost per ton)	\$98.96	No Bid	No Bid
E.	Mortar Sand - ASTM C144 (Cost per ton)	\$118.75	No Bid	No Bid
F.	Portland Cement 94 lb. bags (Cost per bag)	\$83.33	No Bid	No Bid
G.	Cold Mix–ASTM D4215-87 (Cost per ton)	\$184.37	No Bid	\$128.00
H.	Hot Mix - County Mix IV (Cost per ton)	\$183.33	No Bid	\$139.00

The Manager recommended that the Board award the contract for MATERIAL BID NO. 2010-03, FURNISH BASE COURSE, SAND, COLD MIX, HOT MIX, PORTLAND CEMENT, AND NO. 3F ROCK TO THE DEPARTMENT OF WATER SUPPLY, by Parts to the following for the amounts shown above, and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract(s), subject to review as to form and legality of the contract(s) by Corporation Counsel.

- District I – Parts A, C, and I to Yamada & Sons, Inc.
Parts B, D, E, F, G and H to Jas. W. Glover, Ltd.**
- District II – No bids.**
- District III – Parts A, B, C, D, E AND F to Jas. W. Glover, Ltd.
Parts G and H to Grace Pacific Corporation**

For the Parts where no bids were received, staff shall obtain quotations in the best interest of the Department. The contract period shall be from July 1, 2010, to June 30, 2011.

ACTION: Mr. Meierdiercks moved to approve; seconded by Mr. Taniguchi, and carried unanimously by voice vote.

The Manager noted that a lot of the items listed above had no bids. For those items, if DWS needs them during the year, the Department will purchase them in accordance with the procurement provisions. That means that DWS gets quotes, selects the vendor and makes the purchase.

Ms. Garson noted that this was an alternative procurement procedure, for when DWS does not get a bid.

D. GASOLINE BID NO. 2010-02, FURNISHING AND DELIVERING GASOLINE AND DIESEL TO THE DEPARTMENT OF WATER SUPPLY:

Bids were opened on May 12, 2010, at 2:30 p.m. and following are the bid results.

Part "A"	Hilo Baseyard	Big Island Energy Co., LLC dba Akana Petroleum	Hawaii Petroleum, Inc.
1.	Unleaded Gasoline (delivered gallon price) <i>Estimated 55,000 gallons/year x 2 years</i>	\$2.8485/gallon = \$313,335.00	\$2.95/gallon = \$324,500.00
Part "B"	Kona Baseyard		
1.	Unleaded Gasoline (delivered gallon price) <i>Estimated 25,000 gallons/year x 2 years</i>	\$2.9321/gallon = \$146,605.00	\$3.03/gallon = \$151,500.00
2.	Low-Sulfur Diesel (delivered gallon price) <i>Estimated 3,000 gallons/year x 2 years</i>	\$3.0339/gallon = \$18,203.40	\$4.38/gallon = \$26,280.00
Part "C"	Waimea Baseyard		
1.	Unleaded Gasoline (delivered gallon price) <i>Estimated 30,000 gallons/year x 2 years</i>	\$2.8904/gallon = \$173,424.00	\$3.01/gallon = \$180,600.00

The Manager recommended that the Water Board award the contract for GASOLINE BID NO. 2010-02, FURNISHING AND DELIVERING GASOLINE AND DIESEL TO THE DEPARTMENT OF WATER SUPPLY, to Big Island Energy Co., LLC dba Akana Petroleum, for Parts A-1, B-1, B-2, and C-1, at the bid prices listed above and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract(s), subject to review as to form and legality of the contract(s) by Corporation Counsel. The contract period shall be from July 1, 2010, to June 30, 2012.

ACTION: Mr. Meierdiercks moved to approve; seconded by Mr. Taniguchi, and carried unanimously by voice vote.

E. **WATER TREATMENT PROPOSAL NO. 2010-04, FURNISHING AND DELIVERING A~LIQUID CHLORINE TO VARIOUS LOCATIONS IN THE ISLAND OF HAWAI'I (ON AN AS-NEEDED BASIS); B~LIQUID AMMONIA TO WAIMEA WATER TREATMENT PLANT, DISTRICT OF SOUTH KOHALA (ON AN AS-NEEDED BASIS); C~50% LIQUID CAUSTIC SODA TO WAIMEA WATER TREATMENT PLANT, DISTRICT OF SOUTH KOHALA (ON AN AS-NEEDED BASIS); D~C-9 POLYPHOSPHATE TO WAIMEA WATER TREATMENT PLANT, DISTRICT OF SOUTH KOHALA (ON AN AS-NEEDED BASIS):**

One bid was opened on May 12, 2010, at 3:00 p.m., and following are the bid results:

<u>Bidder</u>	<u>Amount</u>
<u>Phoenix V LLC dba BEI Hawaii</u>	
PART A - FURNISH AND DELIVER LIQUID CHLORINE	
I. HILO DISTRICT	
a. Pana'ewa Deep Well (125 cylinders per year) Cost per 150-lb. cylinder	\$297.00
II. PUNA DISTRICT	
A. Pana'ewa Deep Well Chlorinator Building (20 cylinders per year) Cost per 150-lb. cylinder	\$310.00
III. KA'U DISTRICT	
a. Pāhala Deep Well Chlorinator Building (12 cylinders per year) Cost per 150-lb. cylinder	\$360.00
IV. KOHALA DISTRICT	
a. Waimea Water Treatment Plant Cost per one-ton cylinder (9 cylinders per year) Cost per 150-lb. cylinder (60 cylinders per year)	\$2,095.00 \$327.00
V. KONA DISTRICT	
a. DWS Kona Baseyard (150 cylinders per year) Cost per 150-lb. cylinder	\$334.00
PART B – FURNISH AND DELIVER LIQUID AMMONIA	
a. Waimea Water Treatment Plant (12 cylinders per year) Cost per 150-lb. cylinder	<i>No bid</i>
PART C – FURNISH AND DELIVER 50% LIQUID CAUSTIC SODA	
a. Waimea Water Treatment Plant Cost per dry ton	\$1,535.00
PART D – FURNISH AND DELIVER C-9 POLYPHOSPHATE:	
a. Waimea Water Treatment Plant Cost per 30-gallon drum	\$749.36

The Manager recommended that the Board award the contract for WATER TREATMENT PROPOSAL NO. 2010-04, FURNISHING AND DELIVERING A~LIQUID CHLORINE TO VARIOUS LOCATIONS IN THE ISLAND OF HAWAI'I (ON AN AS-NEEDED BASIS);

B~LIQUID AMMONIA TO WAIMEA WATER TREATMENT PLANT, DISTRICT OF SOUTH KOHALA (ON AN AS-NEEDED BASIS); C~50% LIQUID CAUSTIC SODA TO WAIMEA WATER TREATMENT PLANT, DISTRICT OF SOUTH KOHALA (ON AN AS-NEEDED BASIS); D~C-9 POLYPHOSPHATE TO WAIMEA WATER TREATMENT PLANT, DISTRICT OF SOUTH KOHALA (ON AN AS-NEEDED BASIS), to **Phoenix V LLC dba BEI Hawaii** at the unit prices listed above for the period from July 1, 2010, through June 30, 2012, and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract(s), subject to review as to form and legality of the contract(s) by Corporation Counsel. For Part B where no bid was received, staff shall obtain quotations in the best interest of the Department.

ACTION: Mr. Taniguchi moved to approve; seconded by Mr. Meierdiercks, and carried unanimously by voice vote.

F. WATER TREATMENT PROPOSAL NO. 2010-01, FURNISHING AND DELIVERING POLYMERS TO WAIMEA WATER TREATMENT PLANT:

One bid was opened on May 13, 2010, at 2:00 p.m., and following are the bid results.

Bidder	Amount
Phoenix V LLC dba BEI Hawai'i	\$335,928.33

<u>Bidder</u>	<u>Amount</u>
Phoenix V LLC dba BEI Hawaii	\$335,928.33
Contingency	<u>39,071.67</u>
TOTAL CONTRACT PRICE:	<u>\$375,000.00</u>

The estimated quantity of polymers needed for the 24-month period of the contract, as determined by the County, is 326,460.96 pounds, at \$1.029 per pound.

The reason for the high contingency is that due to past experiences, the dosage of polymers used at the time of the plant test is lower than at other times of the year. As the quality of water goes down during the year due to unstable weather conditions, more polymers are used to meet the water quality requirements of the State of Hawai'i, Department of Health.

The Manager recommended that the Board award the contract for WATER TREATMENT PROPOSAL NO. 2010-01, FURNISHING AND DELIVERING POLYMERS TO WAIMEA WATER TREATMENT PLANT, to Phoenix V LLC dba BEI Hawai'i, for the bid price of \$335,928.33 plus \$39,071.67 in contingency for a total contract price of \$375,000.00 and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract(s), subject to review as to form and legality of the contract(s) by Corporation Counsel. The contract period is from July 1, 2010, to June 30, 2012.

MOTION: Mr. Meierdiercks moved to approve; seconded by Mr. Lindsey.

Mr. Ikeda said there was only one bidder. Bidders had to run their proposed polymers through the treatment plant to get the dosage to bid, and only one person did it.

The Manager noted that for these kinds of items, DWS pre-qualifies the bidder to make sure that their product can do what it is supposed to do.

Chairperson Mukai asked what happens in a case when DWS only has one bidder, and his price is astronomical.

Ms. Garson said that whenever there is one bid, the procurement code says that the procurement officer must independently analyze whether or not it is a fair price. If it is not fair, then DWS can either re-bid or use an alternative procurement procedure.

Mr. Ikeda said in this case, the price was pretty much the same as it was two years ago.

ACTION: Motion carried unanimously by voice vote.

G. **WATER HAULING BID NO. 2010-06, PRICE AGREEMENT TO PROVIDE WATER HAULING SERVICES TO VARIOUS LOCATIONS ISLAND-WIDE (ON AN AS-NEEDED BASIS) FOR THE DEPARTMENT OF WATER SUPPLY:**

Bids were opened on May 13, 2010, at 2:30 p.m., and the following are the bid results:

1. Carnor Sumida dba ACR Water Hauling
4,000-, 4,500- and 5,000-gallon water trucks (price for all districts):

Regular Hours	\$70.54
Overtime Hours	\$80.24

2. Island Topsoil LLC
5,000-gallon water truck (price for all districts):

Regular Hours	\$107.38
Overtime Hours	\$125.62

Should the situation occur that the Department is in need of water hauling services, a contract will be made and the contractor will be selected, based on criteria in the best interests of the Department for the particular situation.

RECOMMENDATION: It is recommended that the Board approve the price agreements for WATER HAULING BID NO. 2010-06, PRICE AGREEMENT TO PROVIDE WATER HAULING SERVICES TO VARIOUS LOCATIONS ISLAND-WIDE (ON AN AS-NEEDED BASIS) FOR THE DEPARTMENT OF WATER SUPPLY at the prices listed above, and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract(s), subject to review as to form and legality of the contract(s) by Corporation Counsel. The price agreement shall be from July 1, 2010 to June 30, 2012.

MOTION: Mr. Meierdiercks moved to approve; seconded by Mr. Lindsey.

Mr. Ikeda noted that this is a price agreement, like the preceding material bids. When DWS needs water hauling services, the Department will call the vendors and they will hold their price, he added.

ACTION: Motion carried unanimously by voice vote.

H. **CAPITAL IMPROVEMENT PROJECT:**

The following project is not listed on the Department's Capital Improvement Projects list:

- Waimea 4.0 MG Clearwater Reservoir Baffle Installation
 - a. DWS In-house design and administration
 - b. Construction estimate: \$200,000.00

This project is needed to improve the chlorine contact time in the Clearwater Reservoir to ensure adequate treatment process. The current poor baffle characteristics could create potential treatment violations. This project will greatly improve the baffle factor of the reservoir, resulting in improved treatment. As a secondary benefit, the Department may be able to reduce the chlorination amount thus saving money on chemicals, as well as improvements to disinfection by-product formation potential.

RECOMMENDATION: It is recommended that the Board add this project onto the Department's CIP budget, and that the project be put to bid, and that either the Chairperson or the Vice-Chairperson be authorized to sign the construction documents, subject to approval of Corporation Counsel.

MOTION: Mr. Reynolds moved to approve; seconded by Mr. Lindsey.

The Manager said the baffles involved are made of wood, and are subject to deterioration over time as the wood scrapes. Therefore the baffles need to be replaced.

Mr. Okamoto said the baffles are within the clearwater reservoir at the Water Treatment Plant (in Waimea). The work is necessary to keep in compliance with the Safe Drinking Water grant requirements. There is a formula that stipulates how much contact time the chlorine has to react with the water, to ensure proper treatment. Right now, DWS's allotted contact time percentage is 18 percent; that is, DWS is only allowed 18 percent of the clearwater volume to use in its calculations. Right now, DWS is riding a fine line between being okay and not being okay, he said. To give DWS some breathing room and reduce some of DWS's chemical requirements, DWS wants to do improvements to boost the baffle factor higher than the Department is currently getting from the clearwater tank. In other words, DWS is hoping to bump the baffle factor above 18 percent, to double it to 30-35 percent. Doing so would make life easier for DWS as well as reduce DWS's chemical requirements.

ACTION: Motion carried unanimously by voice vote.

Chairperson Mukai suggested scheduling a site inspection of the Waimea Water Treatment Plant, noting that Mr. Kaneshiro is a new Board member and two more new Board members are expected to be confirmed in July or thereabouts.

The Manager suggested agendizing the site visit as part of a Board meeting.

Ms. Garson confirmed that this would be okay vis a vis the Sunshine Law, since it is a site visit.

The Manager said that the Department would need to set a meeting in Waimea.

Mr. Meierdiercks suggested holding a meeting in Waimea in September.

Chairperson Mukai said the Board would discuss it.

I. **DEPARTMENT OF WATER SUPPLY PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGETS FOR FISCAL YEAR 2011:**

Fiscal Year 2011 Operating and C.I.P. Budgets for approval. A Public Hearing was held to receive testimony on the Department's proposed budgets for FY2011 on March 23, 2010 at 9:30 a.m., before the Board meeting. The first reading of the Budgets took place at the Water Board Meeting on March 23, 2010, and the second reading took place at the Water Board Meeting on April 27, 2010.

This is the **third reading** of the Budgets.

RECOMMENDATION: It is recommended that the Water Board adopt the Fiscal Year 2010-2011 Operating and Capital Improvement Budgets.

Mr. Reynolds asked whether it would be appropriate to approve the Budget now, in view of the fact that the Board will be changing things somewhat on the water rate increase at the June 15 Board meeting.

The Manager said it would not be inappropriate to approve the Budget now, because whatever the consultant, RW Beck, gives DWS will maintain the same income (in the Budget).

Mr. Reynolds asked if there would be any line item changes in the Budget.

The Manager said no, there would be no changes as a result of the water rate study, because the income is going to be the same.

MOTION: Mr. Meierdiercks moved to approve; seconded by Mr. Reynolds.

Chairperson Mukai noted that whatever rates the Board decides upon at the June 15 meeting are already factored in to the Budget. RW Beck will crunch the numbers, but the net result of revenue will be the same as the proposed Options A and B that were on the table. Therefore, the Budget per se will not change.

Mr. Meierdiercks agreed, saying that it is already provided for; the Board has to approve it to provide for revenue to finance DWS's spending in the next year. The Budget is almost set in stone, he added.

ACTION: Motion carried unanimously by voice vote.

J. REPORT OF AD HOC FINANCE COMMITTEE:

The Water Board's Ad Hoc Finance Committee Chairperson, Mr. Art Taniguchi, has been investigating the three focus areas (DWS's policies on credit card use, cash control and vehicle take-home), which encompass the scope of the Committee's work. At this meeting, the Committee may do the following:

- Report/discussion on vehicle take-home policy.

Mr. Taniguchi said there was no report this month. The committee took Mr. Reynolds's suggestion and solicited information from the other counties. The information came in, but the committee was unable to meet with the Manager who was out sick the past two weeks. The committee expects to meet in the next week or so, and will have a report at the June 15 meeting.

K. ENERGY MANAGEMENT ANALYST UPDATE:

The following areas will be covered:

- Lālāmilo Update
 - Progress on clean-up;
 - Renewal of DLNR lease.
- DWS's Green Initiatives

Ms. Myhre said that HELCO was hiring a contractor for the clean-up, at the beginning of next week. She expected that the cleanup, which includes tearing down what is on-site, will begin as of June 15. Ms. Myhre said she received a copy of the Phase I Environmental Site Assessment (ESA) yesterday, and the only issues were that the cesspool on the site could have had contaminants from the materials dumped down the drains. The ESA recommended that the cesspool sludge be sampled and that soil samples taken if there was leakage from the existing motors, she said. Ms. Myhre said she would be following up with HELCO on these two recommendations.

Chairperson Mukai asked if the December deadline for the cleanup would be met.

Ms. Myhre affirmed that this was what HELCO has been telling her, and she has no reason to disbelieve it. However, she said she plans to monitor the progress of the cleanup, noting that the lease expires on December 8, 2010. Turning to the renewal of the DLNR lease, she said that she will be having a conference call with the National Renewable Energy Laboratory (NREL) tomorrow. NREL has been providing technical support through computer modeling of modern wind generators to provide power to DWS's wells on the site. NREL is going to run another model that will be suitable

for including in the DLNR application, she said. NREL is updating the model with 2009 data. Ms. Myhre said she would have more information on that topic at the June 15 meeting.

Turning to her monthly Green Initiative report, Ms. Myhre noted that new information was in italics on recycling, DWS's hydro-generator energy production, leak detection, the Rider M program (which involves the discount DWS gets from HELCO for not running pumps at 10 wells during the peak energy use. Ms. Myhre said that she had decided to do a month-to-month fuel use graph with a trend line, instead of a year-to-year comparison. This segment is on page 3 of the report, she added.

Chairperson Mukai asked Ms. Myhre if she could provide information regarding the volume of DWS's fuel purchases, showing year-to-year comparisons. This would show how green DWS actually is in using less fuel.

Ms. Myhre noted that in her Green Initiatives report for April, she did provide data for 2007, 2008, 2009 and year-to-date 2010. The data shows that DWS's fuel use increased over those three years. She said that she could do either a year-to-year comparison or a month-to-month comparison, or do two charts.

Chairperson Mukai said either way was fine, whichever is easiest, so long as there is a comparison.

Mr. Taniguchi said that someone in his district asked him what DWS is doing to ease the overall energy cost. He noted that was not in the current report, and added that DWS's power costs can be passed on to the consumer.

Chairperson Mukai asked Ms. Myhre if she could summarize what DWS is doing to reduce the Department's energy bills so that it could be part of today's Minutes.

Ms. Myhre asked if the Chairperson wanted how much energy the Department uses.

Mr. Taniguchi said no, his question was with regards to the total energy cost that DWS pays to HELCO.

Ms. Myhre said she would have to prepare a summary.

The Manager said that Ms. Myhre should be given time to prepare a summary for the next meeting. He said he was glad that the subject was raised, because one of the speakers at the Public Hearing on May 5 in Kona accused the Department of doing nothing on green initiatives. The Manager assured the Board that the Department is pursuing initiatives such as reducing DWS's energy cost – to a far more aggressive degree than any other County department. He cited DWS's hydro-electric generation, the Department's different rate schedules, the Department's energy efficiency report on all of DWS's buildings, and the Department's exploration of additional hydro-generator sites. Because it was a Public Hearing to hear public testimony, it was frustrating not to be able to say anything, he added. DWS does a lot on green initiatives, with Ms. Myhre working as DWS's energy management analyst.

Mr. Reynolds raised the subject of the Manager's new title: Manager-Chief Engineer.

The Manager said the change was just to be consistent with the other jurisdictions in the state, which all have Manager-Chief Engineers heading their respective Departments of Water Supply.

Chairperson Mukai segued back to Ms. Myhre's work on green initiatives. He commended her for her work, and commended Ms. Aton for getting the word out to the public.

Ms. Myhre said that the Mayor's Energy Advisory Commission had requested DWS to provide a report for the Commission's June 18 meeting, on ongoing efforts on increasing energy efficiency and renewable energy generation. She said that she would give the Board the same presentation she was preparing for the Commission.

L. MONTHLY PROGRESS REPORT:

Mr. Taniguchi asked about the Kawaiiani Tank issue.

The Manager said it was in litigation.

Ms. Garson said the court was holding a status conference in September.

M. REVIEW OF MONTHLY FINANCIAL STATEMENTS:

Ms. Pua noted that there had been a question raised by a Board member regarding what comprises Non-Operating Revenues. This includes power generation income, Rider M credits, finance charges that DWS collects (such as late fees and non-sufficient funds), installation income (to install meters) and also rental income.

Mr. Taniguchi noted that on page 2 of the Summary, under Other Revenues, there was a decrease year-to-year of \$124,000 or 36 percent, but month-to-month, the figure increased by \$40,000. He asked where the \$40,000 came from. He also noted that on page 1, under Investments, the second item showed a decrease year-to-year of \$16 million. He suggested including one more line to the effect of "However, no changes from last month to this month." Adding that line would alleviate the need to go back and forth to see what the figure was the previous month.

Ms. Pua confirmed that Mr. Taniguchi wanted to see comparisons from month to month.

Mr. Taniguchi confirmed this, saying for example, that it would be helpful to know how much of DWS's investments are being put into the Operating Accounts, or how much DWS is liquidating every month. He wanted to see a month-to-month comparison on the Summary, so the Board will not have to look back to the previous month to compare. DWS currently does year-to-date, but the Board would like to see changes from the previous month. On the item entitled "Petty Cash and Change Funds," Mr. Taniguchi noted that the Flexible Spending Account was rolled into Petty Cash; this entry that he said kind of jumped out at him.

N. POWER COST CHARGE:

A Public Hearing to accept testimony on raising the Power Cost Adjustment to \$1.91 from the current Power Cost Charge of \$1.77 will be held on June 15, 2010 at 9:45 a.m.

Chairperson Mukai asked all Board members to arrive early for the Public Hearing, ahead of the regular Board meeting in Hilo.

O. WATER RATE STUDY:

(This item was covered earlier in the meeting.)

P. MANAGER'S REPORT:

The Manager will provide an update or status on the following:

- a. Update on use agreement on KIC wells – Nothing to report at this time.
- b. Palani Road Transmission Waterline Project – Item discussed earlier.
- c. Department plans for implementation of furloughs – The Mayor's directive is for County workers to be furloughed on the first and third Fridays of every month beginning July 1, with all County offices closed on those days. The Manager, Mr. Ikeda, and the Human Services Manager will go to the various baseyards to provide information on the furloughs. The Manager noted that employees who belong to the Hawai'i Government Employees

Association (HGEA) will be handled differently than employees who belong to the United Public Workers (UPW). DWS has filed exceptions with the Department of Human Resources, including Microlab, inspection and standby services staff.

- d. Recognition of DWS retirees Glenn Y. Ohashi, Supervising Waterworks Construction Project Inspector, and Gordon Sakuda, Waterworks Construction Project Inspector III. These two inspectors have more than a combined 80 years of experience with DWS. DWS will need to recruit inspectors, the Manager said.
- e. AWWA – Hawai‘i conference report – The stellar Big Island Tapping Team from Waimea clinched the statewide trophy with a leak-free, penalty-free time of 1 minute, 15 seconds. The victory qualifies the DWS crew to compete at next year’s national conference in Washington, D.C.

Q. CHAIRPERSON’S REPORT:

Chairperson Mukai attended the AWWA conference in Honolulu, where RW Beck did a presentation on water rates in which DWS was given as an example. Ag rates are a widespread issue in the state, and the Hawai‘i Cattlemen’s Association’s proposal addresses a lot of the concerns raised by other organizations at the conference, he noted.

Chairperson Mukai said that Mr. Taniguchi, Mr. Lindsey and the Chairperson would be representing the Board at the upcoming ACE conference in Chicago next month. He reminded the delegates to submit their travel reports after the conference.

Mr. Reynolds asked who decides when and where Board meetings take place.

Chairperson Mukai said that the Board sets it.

Mr. Reynolds asked when the July 27, 2010 meeting date and location were voted on.

The Manager said that DWS’s Rules and Regulations call for a meeting on the fourth Tuesday of every month, except as modified by the Board. Next month’s meeting is on the third Tuesday, on June 15, because three Board members are attending the Chicago conference during what would have been the normal meeting date. In some years, the December meeting is also held on the third Tuesday, as decided by the Board, to avoid conflict with the holidays.

Mr. Reynolds reiterated that since he joined the Board, the meeting dates and locations were never voted on.

Chairperson Mukai said the location of future meetings can be discussed at the next meeting, but confirmed with Ms. Garson that the item does not need to be agendaized.

ANNOUNCEMENTS:

1. Next Meeting:

The next meeting of the Water Board will be held on **June 15, 2010**, at 10:00 a.m. at the Department of Water Supply, Operations Center Conference Room, 889 Leilani Street, Hilo, HI. (The regular meeting will be preceded by a Public Hearing on the Power Cost Adjustment at **9:45 a.m.**)

2. Following Meeting:

The following meeting of the Water Board will be *tentatively* held on July 27, at 10:00 a.m. at the Department of Water Supply, Operations Center Conference Room, 889 Leilani Street, Hilo, HI.

STATEMENTS FROM THE PUBLIC:

None.

ADJOURNMENT:

Chairperson Mukai adjourned the meeting at 12:30 p.m.

Senior Clerk-Stenographer

Anyone who requires an auxiliary aid or service for effective communication or a modification of policies or procedures to participate in this Water Board Meeting should contact Doreen Shirota, Secretary, at 961-8050 as soon as possible, but no later than five days before the scheduled meeting.

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

Notice to Lobbyists: If you are a lobbyist, you must register with the Hawai'i County Clerk within five days of becoming a lobbyist. {Article 15, Section 2-91.3(b), Hawai'i County Code} A lobbyist means "any individual engaged for pay or other consideration who spends more than five hours in any month or \$275 in any six-month period for the purpose of attempting to influence legislative or administrative action by communicating or urging others to communicate with public officials." {Article 15, Section 2-91.3(a)(6), Hawai'i County Code} Registration forms and expenditure report documents are available at the Office of the County Clerk-Council, Hilo, Hawai'i.