

MINUTES

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

August 27, 2013

West Hawai'i Civic Center, Community Center, Bldg. G, 74-5044 Ane Keohokalole Hwy, Kailua-Kona, HI

MEMBERS PRESENT: Mr. Art Taniguchi, Chairperson
Mr. Kenneth Kaneshiro, Vice-Chairperson
Mr. Russell Arikawa
Mr. David Greenwell
Ms. Brenda Iokepa-Moses
Ms. Susan Lee Loy
Mr. Delan Perry
Mr. Rick Robinson
Mr. Jay Uyeda
Mr. Quirino Antonio, Jr., Manager-Chief Engineer, Department of Water Supply (ex-officio member)

ABSENT:

Mr. Duane Kanuha, 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. Mike Soich, Knapheide Manufacturing Company
Mr. Jay Blake, Orchid Isle Auto Center
Ms. Erin Miller, West Hawai'i Today

Department of Water Supply Staff

Mr. Keith Okamoto, Deputy
Mr. Kurt Inaba, Engineering Division Head
Mr. Daryl Ikeda, Chief of Operations
Mr. Richard Sumada, Waterworks Controller
Ms. Kanani Aton, Public Information and Education Specialist
Ms. Julie Myhre, Energy Management Analyst

1) CALL TO ORDER – Chairperson Taniguchi called the meeting to order at 10:00 a.m.

2) STATEMENTS FROM THE PUBLIC

None.

3) APPROVAL OF MINUTES

The Chairperson entertained a Motion to approve the Minutes of the July 23, 2013, Water Board meeting.

ACTION: Mr. Arikawa moved to approve; seconded by Ms. Iokepa-Moses, and carried unanimously by voice vote.

4) APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA

None.

5) SOUTH HILO:

A. **VEHICLE BID NO. 2013-09, FURNISHING AND DELIVERING A VEHICLE TO THE DEPARTMENT OF WATER SUPPLY:**

Bids for this item were opened on August 9, 2013, at 2:00 p.m., and the following are the bid results:

	David S. DeLuz Sr. Enterprises, Inc. dba Big Island Toyota, Inc.	Inter Pacific Motors, Inc., dba Orchid Isle Auto Center
Vehicle:		
One (1) only 2013 or later, Sport Utility Vehicle (SUV), 4-door, 4-wheel drive		
Total delivery price	\$41,999.95	Non-responsive
Delivery time (calendar days)	30	

The Manager-Chief Engineer recommended that the Board award VEHICLE BID NO. 2013-09, FURNISHING AND DELIVERING A VEHICLE TO THE DEPARTMENT OF WATER SUPPLY, to David S. DeLuz Sr. Enterprises, Inc. dba Big Island Toyota, Inc., at a cost of \$41,999.95 and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract, subject to approval of the contract as to form and legality by Corporation Counsel.

MOTION: Mr. Robinson moved to approve; seconded by Mr. Greenwell.

The Manager-Chief Engineer said that this vehicle would replace the one he had been driving. The car broke down, and its transmission needs to be replaced. DWS plans to keep the car, but in the meantime wants to order a new vehicle for the Manager-Chief Engineer's use.

ACTION: Motion carried unanimously by voice vote.

B. **VEHICLE BID NO. 2012-12, FURNISHING AND DELIVERING VEHICLES TO THE DEPARTMENT OF WATER SUPPLY, PARTS "B" AND "C":**

The vendor, Inter-Pacific Motors dba Orchid Isle Auto Center, requested to address the Board to appeal the Department's decision to deny a time extension for Parts "B" and "C" of VEHICLE BID NO. 2012-12, FURNISHING AND DELIVERING VEHICLES TO THE DEPARTMENT OF WATER SUPPLY, PARTS "B" AND "C".

The Manager-Chief Engineer said that the Department had administratively denied the request for a time extension, because the circumstances were very similar to a situation involving delayed delivery of vehicles by Orchid Isle last year. In the case last year, the Board granted Orchid Isle's request for a time extension, he noted.

Ms. Garson said that the Orchid Isle representative, Mr. Jay Blake, could make a presentation to the Board.

Mr. Blake apologized for appearing again before the Board to request a time extension. He said he had five sets of documents as evidence to show Orchid Isle's part of the contract. Mr. Blake noted that last

year, he had a 180-day deadline to deliver the trucks in question, and he missed that deadline. Therefore, Orchid Isle requested an additional 30 days, which he said should have been more than enough time to get the vehicles delivered. Orchid Isle placed the order for the vehicles on the day that they got the Notice to Proceed from the Water Board, he said. The vehicles were built in late January, and the vehicles arrived at the facility of Orchid Isle's vendor for outfitting; that is where the trouble arose. Orchid Isle has been monitoring the status ever since the vehicles had body work done at the facility of the vendor, Knapheide Manufacturing Company. However, there have been delays on top of delays, and meanwhile, Orchid Isle has pushed and pushed to get the logjams solved. Mr. Blake reported that the vehicles are now en route, and are on the West Coast. As long as the vehicles are loaded on the Matson container next week, the vehicles should arrive in Hilo by the end of the third week of September. The documentation, which Mr. Blake distributed to the Board, shows the email trail between Orchid Isle and Knapheide; one set of documents shows the order date and status of the vehicles throughout the whole history. Mr. Blake said he would really appreciate it if the Board would consider granting the time extension.

The Manager-Chief Engineer said that the Department still needs the vehicles in question. One is for use in Hilo, and the other is for Kona, he said.

Mr. Greenwell noted to Mr. Blake that this was a repeat of last year's scenario; he asked what Orchid Isle planned to do in the future.

Mr. Blake said that ironically, Orchid Isle last year had used a different body company, Reading. Because of the situation that arose, Orchid Isle switched to Knapheide. Just by chance, the same problem has occurred. Mr. Blake said he really did not have an answer to Mr. Greenwell's question. He said it was not an excuse, but this is the way things have been the past few years since the recession ended. All of the different body companies, including Knapheide, Ford, Reading, Monroe, etc., laid off workers during the recession, and now, with demand rising, the manufacturers are having a hard time keeping up.

Mr. Greenwell asked if the lead time in the contract is too short.

Mr. Blake said that in the past, generally speaking, it was not too short. The 210 days normally would be plenty of time, but in the past couple of years, the process of building a vehicle takes forever.

Mr. Mike Soich of Knapheide asked to be allowed to address the Board.

The Manager-Chief Engineer noted, before Mr. Soich spoke, that last year's time period was 180 days, which was extended by another 30 days. This time around it was for 210 days, to make up for what happened last year.

Mr. Soich said he is based in Phoenix and represents the Southwest region for Knapheide, spanning from New Mexico to Hawai'i. He said he was there to support Mr. Blake, who he said did everything right to try to fix the problem. Mr. Soich offered the timeline of everything that happened. Knapheide received Mr. Blake's purchase order in a timely manner at the end of January this year; Knapheide cleared it with their engineering staff and readied the vehicles for production in early February. The vehicles came out of Knapheide's plant in mid-April, and Knapheide shipped the vehicles to its facility in Kansas City which does all of the company's "up-fits" for Ford. The location is close to the Ford manufacturing plant, and hence the vehicles went back into Ford's system. This made it possible for the vehicles to come to DWS at a very low cost because Ford is shipping the vehicles as if they were coming from the factory – except that in this case, the vehicles go through the factory to Knapheide after the factory up-fits the vehicles, and on to DWS. Mr. Soich explained that it would cost much more if Knapheide were to ship the body to the West Coast for assembling on the truck there, and then ship the vehicles directly on to the barge. That process would markedly shorten the time, but it would

dramatically increase the cost of the vehicles. Mr. Soich said that the Ford system is a blessing, and when everything works smoothly, 210 days is indeed sufficient time. The industry as a whole is being challenged to keep up with demand, after going through the downturn (with down-sizing and “right sizing.”) Now, everybody in the industry is struggling to get up to speed, Mr. Soich said. Knapheide’s vendors are way behind in orders; Knapheide is waiting for such basic items as lift-gates and ladder racks. Knapheide has tried to staff all of its facilities in an expedient manner; the company had a tough time hiring people. The company finally has its manufacturing facility working two shifts, six days a week, and is asking staff to come in on Sundays (although it is not mandatory). While the company is blessed with this upsurge in demand, it is struggling to keep up. Returning to his timeline, Mr. Soich said there was a completion date of May 31 for the completion of the vehicle body work at Knapheide’s Kansas City facility, but that deadline got pushed forward due to the backlog of orders. He noted that a large volume of fleet customers started coming back to place orders from last fall. Fleet customers’ fleets are aging, and with the recovery, the customers doubled up on the number of replacement vehicle orders. This really slammed the company, Mr. Soich said, and Knapheide doubled the size of the Kansas City facility to keep up. The then-operations manager could not keep up, so the company let him go and hired someone to replace him. Knapheide has also hired efficiency experts to improve the company’s through-put, and to maintain quality. Mr. Soich said that DWS’s vehicles finally were completed on June 18, and were ready to ship in late June. However, when the vehicles were released to Ford’s traffic system, the vehicles languished for two months waiting for Ford to move them.

Mr. Blake noted that this was in his timeline as well.

Mr. Soich said Knapheide did not wash its hands of the vehicles after releasing them back to Ford, but unfortunately, the vehicles sat and sat at Ford. After repeated attempts by Mr. Blake and Knapheide to get Ford to move the vehicles, the vehicles are now finally in California. Mr. Soich said that Knapheide accepts part of the responsibility for the problem because of its Kansas City operations; on the other hand, Knapheide is at Ford’s mercy in getting the vehicles shipped in a timely manner. Going through Ford’s traffic system saves money when it works, but this time, the system did not work, he said.

Mr. Blake wanted to make it clear that Orchid Isle is a Ford dealer; it is not Ford. Orchid Isle does not have control of Ford’s operations, transport or production. Orchid Isle can just place orders, and is stuck when it comes to what Ford does.

Mr. Soich apologized to the Board for what happened. Knapheide has been in business since 1848, and plans to be around in the future, he said. The company wants to take care of its customers, and wants to take care of DWS. Unfortunately, this time Knapheide failed, and Mr. Soich apologized again for that.

Ms. Lee Loy, mentioning the email trail, asked about how the communication seems to go quiet in May, and then picks up again in July.

Mr. Blake said that he was told that the vehicles were moving (i.e., the vehicles were completed). In the past, that meant that the vehicles were on their way, so Mr. Blake could rest easy. But in this instance, Mr. Ikeda sent Mr. Blake an email which indicated that something was not right, and Mr. Blake contacted the vendor who said the vehicles were still being worked on. The problem snowballed after that, he said.

Mr. Soich said that Mr. Blake was consistent in following up on the vehicles’ progress; Mr. Blake was doing all that he could do.

Ms. Lee Loy asked for confirmation that Mr. Blake now expected delivery in mid-September, i.e., another 30 days.

Mr. Blake said that the original deadline was August 19; he was asking for an extension of 45 days. Delivery should absolutely be before the end of September, Mr. Blake said.

Ms. Lee Loy asked the Manager-Chief Engineer whether the Department still needed the vehicles, whether or not the Board grants the time extension.

The Manager-Chief Engineer confirmed this. If the Board decides to deny the time extension, DWS will have to institute liquidated damages at \$100 a day, in accordance with the contract.

Chairperson Taniguchi asked what the Department recommends at this point.

The Manager-Chief Engineer said that the Department had not heard all of the details regarding the cause of the delays when DWS wrote its letter denying Orchid Isle's request for the time extension. That is the reason Mr. Blake and Mr. Soich are here today, to plead their case. After hearing the explanations by Mr. Blake and Mr. Soich today, the Manager-Chief Engineer said he believes that they are sincere, and DWS has no problem with granting the time extension. DWS needs the vehicles. Furthermore, DWS fears that denying the time extension might cause future problems, in terms of higher bids or no bids at all. The decision on whether to grant the time extension is up to the Board.

Mr. Kaneshiro asked approximately when the vehicles will arrive.

Mr. Blake said his best estimate is the third week of September.

Mr. Kaneshiro asked if the Department had any problems with that.

The Manager-Chief Engineer said DWS needs the vehicles, and has lived without them all this time, so at this point, it is a matter of being patient.

Mr. Ikeda said that he believed that Mr. Blake did all that he could; he did not have the option of passing on his liquidated damages to Knapheide, etc. Mr. Ikeda said that to be fair to Mr. Blake, he recommended that the Board grant the time extension.

Mr. Uyeda asked for confirmation that the 45 day-extension would not affect the Department's current operations or business.

The Manager-Chief Engineer confirmed this.

Mr. Arikawa asked whether, if the Board denies the time extension, the project would go back to bid.

The Manager-Chief Engineer said no, a denial of the time extension would cause DWS to impose liquidated damages. At \$100 a day for a 45-day extension, that would amount to \$4,500.00. When Orchid Isle delivers the vehicles, DWS will deduct that amount from the bill.

Mr. Robinson asked whether DWS pays at the point of order, or at the point of delivery.

The Manager-Chief Engineer said it was at point of delivery.

Mr. Greenwell said it was unfair that Ford has held things up, while Orchid Isle is the one hit for liquidated damages at \$100 a day. He said the Board should go ahead and grant the extension and take delivery of the trucks.

Ms. Garson asked whether anyone wanted to make a Motion for the Board to vote on.

Ms. Iokepa-Moses said before making a Motion, she had a comment to make. She suggested that Mr. Blake should maybe have been more proactive in tracking the progress of the vehicles.

Mr. Blake said he can do his best to be proactive, but Orchid Isle has hundreds of vehicles on order at any given time, and it is really hard to do that while trying to generate more business. He agreed that he could do a bit more to make sure things get done. Mr. Blake said that moving forward, he had doubts whether it would be prudent to participate in bids; he did not want to get caught in this situation again. That being said, Mr. Blake added that Orchid Isle always does the best it can for DWS and the County. Mr. Blake said that he tries to work closely with Mr. Ikeda to make sure everything gets done.

Ms. Iokepa-Moses thanked Mr. Blake and Mr. Soich for traveling to today's meeting to talk with the Board.

MOTION: Ms. Iokepa-Moses moved to approve the time extension; seconded by Ms. Lee Loy.

Ms. Garson clarified that the Motion is to allow the 45-day extension on this contract.

The Deputy made clear that the 45 days starts from August 19.

Chairperson Taniguchi asked what happens if the vehicles fail to arrive within the 45 days.

Mr. Blake said that in that case, the liquidated damages at \$100 a day would kick in.

Chairperson Taniguchi said that the Board empathizes with Mr. Blake; this is a small town, etc. He noted that the Board had added 30 days from the last vehicle bid. The Board is aware that Mr. Blake, as a Ford dealer, is at the mercy of the manufacturer. He asked whether Orchid Isle can impose liquidated damages on Ford for failing to deliver by a certain date.

Mr. Blake said no, the only leverage is to withhold business from Ford.

Chairperson Taniguchi said that in that case, Orchid Isle is kind of stuck if Ford drags its feet. He acknowledged that he was playing devil's advocate when he said that while \$4,500.00 is a lot of money, he wondered whether the liquidated damages should be zero.

Mr. Blake said that the County bid process is designed for DWS to get the most value out of the deal, so the profit margins for Orchid Isle are extremely thin. It is great if Orchid Isle is the only bidder, but if not, Orchid Isle has to be competitive to make sure they get the business. He agreed that time is of the essence in a situation like this.

Mr. Soich said his company wants Orchid Isle to be as competitive as possible because Knapheide wants Mr. Blake's business – and Knapheide wants DWS's business, too.

The Manager-Chief Engineer noted that the vehicles are still on the West Coast, and anything could happen between there and Hawai'i. He said that if something happens that is out of Orchid Isle's control, Mr. Blake would be afforded an opportunity to come again before the Board to request a time extension.

Chairperson Taniguchi asked how long it would take to get the vehicles from the West Coast to Hilo.

Mr. Blake said it takes about three weeks, with the vehicles being shipped from the port of Oakland to Honolulu, and then Honolulu to Hilo.

ACTION: Motion carried unanimously by voice vote.

C. **JOB NO. 98-721: KAWAILANI NEW 1.0 MG CONCRETE TANK AND REMOVAL OF EXISTING 0.5 MG STEEL TANK - UPDATE:KAWAILANI TANK:**

DWS and Glover have been negotiating the additional work items and costs, and have agreed that \$420,043.02 is justified for work that has been done, as well as work that still needs to be done to complete the work items as listed on the breakdown. Staff is requesting that additional funds be approved for the proposed items in the amount of \$420,043.02. Staff is also requesting that a time extension be issued since there is no contract extension from the current contract completion date of April 21, 2005. Based on the contractor's previously submitted estimate, it is requested that a contract completion date of December 31, 2013, be established.

- 1st time extension: 88 calendar days -- Reinforcing steel subcontractor was replaced at no additional cost; however, the material submittal and arrival was delayed due to the withdrawal of subcontractor.
- 2nd time extension: 70 calendar days -- Asphalt material was recalled and contractor could not complete the interior of the reservoir until new material was delivered.
- 3rd time extension: 84 calendar days -- New product (liner) required due to specified product no longer carrying the NSF 61 approval. Additional pre-lining leakage test also requested by DWS.
- 4th time extension: 60 calendar days -- DWS required Contractor to seal leaks before lining was installed.
- 5th time extension: 265 calendar days -- New liner product manufacturer made additional requirements to preparing the surface and addressing joints and hairline cracks from product technical representative that provided on-site inspection and training.

The Manager-Chief Engineer recommended that the Board approve additional funds of \$420,043.02, as well as grant a time extension to the contract to bring the completion date from April 21, 2005 to December 31, 2013. If approved, a Contract Change Order will be processed and the revised contract amount will be \$2,275,510.90, with a contract completion date of December 31, 2013.

MOTION: Mr. Kaneshiro moved to approve; seconded by Mr. Arikawa.

The Manager-Chief Engineer said that Mr. Inaba has been in negotiations with the contractor, and this change order is the result of those talks. He noted that on the spreadsheet provided to the Board, there are some italicized items; Mr. Inaba is still negotiating on those items. DWS will come back to the Board with cost figures for those items.

Mr. Inaba noted that there were four italicized items.

Chairperson Taniguchi asked whether the Board at this point should go into Executive Session.

Ms. Garson said no, the Executive Session was put on the Agenda as a precautionary measure, in case the Board wanted to consult her. This Item is just basically a departmental matter; it is a change order request.

Mr. Robinson asked whether April 21, 2005 was when this contract was supposed to have been done.

Mr. Inaba confirmed this.

Mr. Robinson noted that this Item entails a \$420,000.00 increase in the contract. He asked why so much time has elapsed. He noted that there have been numerous time extensions, too.

The Manager-Chief Engineer explained that DWS had some issues regarding the tank roof collapsing, and DWS had to go through a lot to get through that issue of the collapsing tank roof. Because of the time delays, there was an escalation in the cost of the project. That is why DWS is requesting the additional \$420,000.00; DWS is not pointing fingers at anybody on this, and DWS could not hold the contractor to his circa-2003 prices. That is the reason for the additional amount, he said. To put things

into perspective, the Manager-Chief Engineer said he asked Mr. Inaba what it would cost to build a new tank of this same size today. It turns out that DWS is well within the ballpark if it were to build a new tank today, he said.

Mr. Robinson asked whether Glover was the original contractor that built the tank.

The Manager-Chief Engineer said that Glover was the original contractor; the consultant was Wes Segawa and Associates. DWS had gone back and forth regarding whose fault it was that the tank roof collapsed.

Ms. Garson said it did not collapse.

The Manager-Chief Engineer said that DWS had to hire its own structural engineer/consultant to verify the design requirements involved.

Mr. Robinson asked whether DWS would be able to recapture anything on this project.

The Manager-Chief Engineer said that at this point, that is not the Department's intention, although he left open the possibility of recovering some money. DWS is not pursuing that at this point; DWS's focus is to get the tank done.

Mr. Greenwell told Mr. Inaba that this was more money than Mr. Greenwell had expected DWS to put out, but the job absolutely needs to be completed. He said he would not like to see Glover coming before the Board in December asking for a time extension. DWS needs to dig in and get the job done.

Mr. Inaba said the liner is being removed from the interior, and DWS is taking measurements to order a sealant to seal the construction joints and any visible cracks in the tank.

Mr. Greenwell said DWS needs to get this job done. He reiterated that he did not want Glover coming to the Board in December for a time extension.

Mr. Inaba said the sub-contractor is painting the tank exterior today. Once the painting is done, the sealant will be installed in the tank, and then DWS will fill the tank. DWS will then do the last connections and communication work, which will be tested.

The Manager-Chief Engineer said that the Department several months ago got the directive from the Board to get this job done. That is the reason that this change order request is before the Board today. Without the change order and the Board's approval of the additional funds, the work cannot move forward to completion.

Ms. Lee Loy thanked the Department for its hard work on this project over the past three months. She asked about Item 13 on the spreadsheet, listed as "Reinforced Class "B" Concrete Thru Gutter, 6" Thick." She noted that the cost for that item had been taken off; she asked if that item will not be done.

Mr. Inaba said that he was trying to save wherever he could, and the contractor is willing to credit DWS for items like that. The other item that can be eliminated is the grass swale, where DWS changed some of the grades on the site; the grass swale is no longer needed. The contractor is willing to credit some of that amount, too. He said there has been a lot of negotiation with the contractor on the final price as presented here. That \$420,000.00 is definitely not what the contractor had originally submitted. Mr. Inaba said that the contractor is pressing for a change order, given all the work already done and all of the years that have passed. Some of the sub-contractors have said they needed a change order to get back out to finish the work. Meanwhile, some sub-contractors such as the painters are already back on-site.

Ms. Lee Loy asked whether there was any work that DWS could do in-house to minimize some of the costs.

Mr. Inaba said yes, that kind of in-house work is not reflected on the spreadsheet, but there is a lot of work that DWS staff are doing in-house.

Mr. Robinson noted that Glover did not bother to appear before the Board, throwing the Department to the wolves.

The Manager-Chief Engineer said that DWS is really not faulting Glover; Glover did not feel comfortable coming before the Board. It might be nice to see them here, but it is better to have Glover at the site instead, he said. He noted that the painters are indeed prepping the tank, which is a good sign.

ACTION: Mr. Uyeda moved to go into Executive Session to get the legal background on this project; seconded by Ms. Lee Loy.

(The Board went into Executive Session at 10:35 a.m.)

D. EXECUTIVE SESSION RE: JOB NO. 98-721: KAWAILANI NEW 1.0 MG CONCRETE TANK AND REMOVAL OF EXISTING 0.5 MG STEEL TANK - UPDATE:KAWAILANI TANK:

The Water Board convened an executive meeting, closed to the public, pursuant to Hawai'i Revised Statutes, Sections 92-4, 92-5(a)(4), for the purpose of consulting with the Water Board's attorney on questions and issues pertaining to the Water Board's powers, duties, privileges, immunities and liabilities. The required two-thirds vote pursuant to HRS Section 92-4 was necessary to hold an executive meeting.

(The Board exited Executive Session at 11:00 a.m., and resumed discussion on JOB NO. 98-721: KAWAILANI NEW 1.0 MG CONCRETE TANK AND REMOVAL OF EXISTING 0.5 MG STEEL TANK - UPDATE: KAWAILANI TANK.)

Turning to the spreadsheet provided to the Board, the Manager-Chief Engineer asked Mr. Inaba for a breakdown of Item 107, listed as "Temporary Utility Changes, Portable Toilet, and Builders Risk (Coverage to November 2013)," whose total amount is \$78,000.00.

Mr. Inaba said he did not have the figures with him.

The Manager-Chief Engineer asked what the bulk of the item was.

Mr. Inaba said it is the Builders Risk, which the contractor must carry by contract.

Mr. Uyeda asked whether the contractor had to take out more insurance because the duration was extended; he asked whether the contractor was keeping the same Builders Risk price they had when they began the project in 2005.

Mr. Inaba said he was not sure if it was the same unit price; he was not sure if the price had increased. It was basically an extension of time, which the contractor did annually.

Turning to the Monthly Progress Report entry on the Kawaiilani Tank project, Mr. Uyeda noted that the numbers did not match the spreadsheet amounts. He said that the contract amount on the Progress Report is \$1.9 million, while the total bid price on the spreadsheet amount is \$1.6 million.

Mr. Inaba said that the items on the spreadsheet only include escalation; the spreadsheet does not include the entire contract. The items on the spreadsheet were the added costs.

Chairperson Taniguchi noted that on the spreadsheet there is another \$382,000.00 “play.”

Mr. Inaba said that DWS paid out about \$1.575 million, which is only for items that have been completed and which DWS has reported as done. He said that there was only about \$103,000.00 left remaining in the contingency. Mr. Inaba noted that DWS did a change order for \$42,000.00. The additional costs are over and beyond the contract amount.

Chairperson Taniguchi said that means DWS still has about \$340,000.00 left from the total.

Mr. Inaba said yes, but that includes existing contract items that were not paid for.

Chairperson Taniguchi asked if there were other things that need to be done, besides what are listed on the spreadsheet.

Mr. Inaba said no, the spreadsheet shows just the additional costs to complete the project, which is about 90 percent completed.

Chairperson Taniguchi asked how much the amount would be with the change order, not counting Item 110, listed as “Force Account for liner removal and CIM installation,” which had no amount given.

Mr. Inaba said the amount is about \$317,000.000 more than the original contract amount of \$1.9 million. He said that today’s request for \$420,000.00 is because DWS knew the amount was going to be over and beyond even the \$100,000.00 in contingency – based on the blank items on the spreadsheet.

The Manager-Chief Engineer said that this Item will remain on the Agenda until the project is completed.

Chairperson Taniguchi asked about Items 1 and 2, which are italicized and are listed under the original bid price. He asked whether those items would stay unchanged at those original amounts.

Mr. Inaba said no, those items were italicized and left blank because those items are still being negotiated. Mr. Inaba did not agree to what was submitted by the contractor. In some cases, Mr. Inaba needed the actual justification of why the price was increased. These items deal with materials, and the laws dealing with them have changed since the project was bid out. He noted that Item 100, regarding the lead-contaminated fence, was another italicized item. He surmised that Items 1, 2 and 100 were still all up in the air.

Mr. Inaba said that the steel tank referred to in Items 1 and 2 has lead paint, whose disposal cost is high. The disposal cost of the petroleum-contaminated soil under the tank is also going to be high, he added.

Chairperson Taniguchi asked how much Item 110, the Force Account for liner removal and CIM installation, would cost.

Mr. Inaba said that is what the contractor is doing now. The removal of the liner is finished, and the next step is the installation of the sealant. Mr. Inaba estimated the cost at \$200,000-250,000.00. The removal of the liner was quite an effort, but Mr. Inaba said he believed it was the right thing to do. He did not want the liner bits in the water system.

Chairperson Taniguchi asked whether the tank was drained for the removal of the liner.

Mr. Inaba confirmed this, and said that DWS was able to peel off the liner using a scraper or by pressure-washing. There were little rubber beads of liner that went down the drain; that was not something that should be in a tank.

The Deputy assured the Board that the Department had monitored the contractor closely; a DWS inspector was on-site every day to ensure that there was no padding or downtime. He noted that this was a Force Account type of work, with a strict accounting of the manpower, equipment and materials.

ACTION: Motion carried unanimously by voice vote.

E. **SECOND AMENDMENT TO COUNTY OF HAWAI'I LEASE AGREEMENT:**

The Lease to the County of the lower portion of the Waiākea Office Plaza Building is being amended to accurately reflect the area the County desires to Lease.

The Manager-Chief Engineer recommended that the Board approve the SECOND AMENDMENT TO COUNTY OF HAWAI'I LEASE AGREEMENT, and that either the Chairperson or the Vice-Chairperson be authorized to sign the documents, subject to approval of Corporation Counsel.

MOTION: Mr. Robinson moved to approve; seconded by Mr. Perry.

Ms. Garson said that she had put an updated version of this agreement, marked with a star, on the Board's desks today; this version is the one that the Board will be acting on today.

The Manager-Chief Engineer said the County, in the course of renovations, requested additional space. The original version of the lease agreement did not have that additional square footage; this new version provides that additional space. The difference between the first and the second draft with the star is that there is another provision in the lease agreement that allows for the calculation of the rate of the payback amount to DWS. In the second paragraph, there is a reference to the \$500,000.00 that was advertised over the period; it came out to \$1.02 per square foot. With the additional square footage, the rate was reduced to 85 cents per square foot. Basically, DWS is still fronting the \$500,000.00 in renovation costs, although the time period may be somewhat less than that. The County will be paying the County that amount, which will not change; the time period alone may be shorter. He noted that the agreement does not cover the common area maintenance costs, which have been set at about 99 cents per square foot. The above-mentioned 85 cents per square foot is in addition to the common area costs of 99 cents per square foot.

Ms. Lee Loy said she had wondered about the common area maintenance costs, which include the rest rooms, etc.

The Manager-Chief Engineer said DWS is providing the janitorial and grounds-keeping costs, and is passing on the County's share of the costs to the County.

Mr. Greenwell asked if there will be more congestion in the parking area.

The Manager-Chief Engineer said yes, there will be more congestion, but DWS did take into account the amount of space available. He noted that DWS shares the parking lot with its neighbors in the Waiākea Villas. DWS made sure that it provided sufficient additional space for the Department's office building. When the Department did the air conditioning work, it created additional parking spaces on the lower level of the building. Most of the parking spaces in the lot will be filled; he noted that there are a lot of open spaces currently down by the pond area, which the new tenants will probably use. In any case, DWS will monitor the parking situation to see if additional spaces are needed to accommodate the new tenants' customers or clients.

Mr. Uyeda asked what the lease period was.

Ms. Garson said it was 10 years, with an option for 10 years.

ACTION: Motion carried unanimously by voice vote.

6) HĀMĀKUA:

A. **DRINKING WATER STATE REVOLVING FUND RESOLUTION NO. 2013-01:**

(Note: Resolution requires roll call vote.)

Resolution No. 2013-01 is for the project for which DWS has submitted a loan application, under the Drinking Water State Revolving Fund (DWSRF). One of the prerequisites for the loan is a Resolution approved by the Water Board. This Resolution is specifically identified for the following project: JOB NO. 2008-945, ĀHUALOA-HONOKA‘A WATERLINE PHASE 2, and authorizes the Manager–Chief Engineer or Deputy to execute loans and/or grants with the State Department of Health for up to \$2,600,000.00.

The Manager-Chief Engineer recommended that the Water Board adopt DRINKING WATER STATE REVOLVING FUND RESOLUTION NO. 2013-01, subject to approval of Corporation Counsel.

MOTION: Mr. Uyeda moved to approve; seconded by Ms. Lee Loy.

The Manager-Chief Engineer said this Resolution is required for DWS to receive the loan from the Safe Drinking Water Branch, through the State Department of Health (DOH). DWS needs to do the second phase of this project in Āhualoa, which entails installing a pipeline across the State Highway, just above Honoka‘a, leading down. He noted that the first phase of the project stopped short, before the State Highway. DWS plans to put this second phase out to bid before the end of the year, he added.

Chairperson Taniguchi asked whether this was a loan or a grant.

The Manager-Chief Engineer said this was a loan.

Mr. Inaba said that it is a so-called “Green Fund loan,” whereby the principal is forgiven. It is a State Revolving Fund loan, administered through the State Drinking Water Branch.

The Deputy noted that a portion of the loan can be forgiven.

Mr. Inaba explained that DWS pays back the loan, to feed back into the State Revolving Fund.

Chairperson Taniguchi asked how much DWS is applying for.

The Deputy said that the application is for up to \$2.6 million. However, DWS was reluctant to give a specific dollar amount, because the project has not yet been put out to bid; DWS provided an estimate which includes the engineering consulting fee, etc. The \$2.6 million should be well within the ballpark, he added.

Chairperson Taniguchi asked whether this project was budgeted.

Mr. Sumada confirmed this.

ACTION: The Secretary took a roll call vote: Mr. Arikawa (Aye); Mr. Greenwell (Aye); Ms. Iokepa-Moses (Aye); Mr. Kaneshiro (Aye); Ms. Lee Loy (Aye); Mr. Perry (Aye); Mr. Robinson (Aye); Mr. Uyeda (Aye) and Chairperson Taniguchi (Aye). Motion carried with Nine (9) Ayes and Zero (0) Nays.

7) SOUTH KOHALA:

A. **JOB NO. 2013-992 (REBID), LĀLĀMILO ELECTRICAL DISTRIBUTION AND EQUIPMENT MAINTENANCE:**

This project generally consists of the inspection, cleaning, and minor repairs of the electrical distribution system and equipment servicing the Lālāmilo Windfarm and Lālāmilo/Parker Wells.

Bids for this project were opened on August 8, 2013, at 2:00 p.m., and the following are the bid results:

Bidder	Bid Amount
American Electric, LLC	No Bid
Network Power Solutions, Inc.	\$166,000.00

The Engineer’s estimate for the project was \$35,000.00.

The Manager-Chief Engineer recommended that the Board not award the bid for JOB NO. 2013-992 (REBID), LĀLĀMILO ELECTRICAL DISTRIBUTION AND EQUIPMENT MAINTENANCE, due to the high cost of the bid. Staff will re-evaluate the scope of work and will procure the necessary services according to procurement rules.

MOTION: Mr. Greenwell moved to approve; seconded by Mr. Robinson.

The Manager-Chief Engineer explained that there was something wrong with the specifications. That is why the bid amount was so high, compared with the engineering estimate. The staff will reevaluate the scope, and DWS may just procure services under the procurement rules. The job may go out to bid, or DWS may just be able to get quotes.

Mr. Greenwell asked when this Item was likely to come before the Board again.

Mr. Ikeda said the reason that DWS made this bid was a recurring problem involving fuses blowing amid the rainy climate in the area. The intent of this project was to have someone do an evaluation of the entire site to try to fix the problem. When DWS bid it out, the Department anticipated bids in the \$35,000-40,000 range. When the bid came in at a whopping \$166,000.00, DWS stepped away and decided to focus its efforts on the fuse box. That means that the price should be under \$25,000.00, and if so, the Department may not need to come back before the Board.

ACTION: Motion carried unanimously by voice vote.

8) NORTH KONA:

A. JOB NO. 2013-994, KEAHUOLŪ (QUEEN LILI‘UOKALANI TRUST) DEEPWELL REPAIR:

This project generally consists of the replacement of the existing deep well submersible motor, pump, power cable, column pipe and appurtenances and chlorination of the well and pumping assembly, in accordance with the plans and specifications.

Bids for this project were opened on August 15, 2013, at 2:30 p.m., and the following are the bid results:

Bidder	Bid Amount
Beylik Drilling and Pump Service, Inc.	\$257,530.00
Derrick’s Well Drilling and Pump Services, LLC	\$266,788.00

Project Costs:

1) Low Bidder (Beylik Drilling and Pump Service, Inc.)	\$257,530.00
2) Contingencies (10%)	\$ 25,753.00
Total Cost:	<u>\$283,283.00</u>

Funding for this project will be from DWS's CIP Budget under Deepwell Pump Replacement. The contractor will have 180 calendar days to complete this project. The Engineering estimate for this project was \$274,000.00.

The Manager-Chief Engineer recommended that the Board award the contract for JOB NO. 2013-994, KEAHUOLŪ (QUEEN LILI'UOKALANI TRUST) DEEPWELL REPAIR, to the lowest responsible bidder, Beylik Drilling and Pump Services, Inc., for their bid amount of \$257,530.00 plus \$25,753.00 for contingencies, for a total contract amount of **\$283,283.00**. It is further recommended that either the Chairperson or the Vice-Chairperson be authorized to sign the contract, subject to review as to form and legality by Corporation Counsel.

MOTION: Mr. Kaneshiro moved to approve; seconded by Mr. Arikawa.

The Manager-Chief Engineer explained that this well is showing signs of deterioration, so the Department opted to go out to bid for this repair. The bids were favorable. He noted that this deepwell is down, as is the Hualālai well. If yet another well in the area were to go down, DWS would take emergency measures to do the repairs, he said.

Mr. Robinson asked whether the deepwell is located on QLT land.

The Manager-Chief Engineer confirmed this.

Mr. Robinson noted that the deepwell was the first well up on the Upper Road. He asked where the Hualālai well was located.

The Manager-Chief Engineer said the Hualālai well is further north, close to the Kaloko Mauka subdivision. He noted that in between the QLT deepwell and the Hualālai well are the Honokōkau well, and further to the south, the Keopū and Wai'aha wells.

ACTION: Motion carried unanimously by voice vote.

9) 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. **GRANT OF EASEMENT AND BILL OF SALE**

Asia Pacific Group Subdivision
Subdivision Application No. 2011-001077
Grantor: Glory to Yahuwah, LLC
Tax Map Key: (3) 4-7-007: 017
Zoning: A-40a
No. of Lots: 5
Facilities Charge: *Not Applicable*
Final Inspection Date: 2/21/2013
Water System Cost: \$13,820.00

2. **LICENSE NO. 784**

Kawaihae 1.0 MG Tank, Phase II
EWO No. 2007-087
Licensor: State of Hawai'i Department of Hawaiian Home Lands

Tax Map Key: (3) 6-1-001: 003 (portion), 005 (portion), & 007 (portion)
Facilities Charge: *Not Applicable*
Final Inspection Date: 11/29/2012
Water System Cost: \$2,898,650.00

The Manager-Chief Engineer recommended that the Water Board accept these documents subject to the approval of the Corporation Counsel, and that either the Chairperson or the Vice-Chairperson be authorized to sign the documents.

MOTION: Mr. Arikawa moved to approve; seconded by Mr. Robinson.

Mr. Inaba noted that for the first item, it was just a Grant of Easement; it was not a Bill of Sale. He explained that the Grant of Easement is for an existing waterline that is running through the old Waimea Golf Course, for which DWS never had an easement. Therefore, the developers, in the course of doing their subdivision, granted DWS this easement for the existing waterline. The water system cost listed is actually for the service lateral, he noted. There is no bill of sale for it.

ACTION: Motion carried unanimously by voice vote.

B. RIGHT OF ENTRY AGREEMENTS – OCEANIC TIME WARNER CABLE LLC:

The Department procured Oceanic Time Warner Cable LLC (OTWC) to provide high-speed wide area connectivity between Waiākea Office Plaza and four satellite locations via fiber optic cables. OTWC requires right of entry agreements to provide the required services at the respective locations.

The Manager-Chief Engineer recommended that the Board approve the Right of Entry Agreements, and that either the Chairperson or the Vice-Chairperson be authorized to sign the documents, subject to approval of Corporation Counsel.

MOTION: Mr. Arikawa moved to approve; seconded by Mr. Robinson.

The Manager-Chief Engineer noted that the Board received five documents, one for each of the facilities involved in the Right of Entry. The Right of Entry will allow the vendor to enter DWS's buildings to do whatever work is necessary, he said.

Mr. Uyeda, noting Paragraph 2 of the agreements, said he did not think that the Board should allow the vendor to have "the right to advertise, market and otherwise promote the Property." He said that DWS is not the vendor's public billboard. He also suggested reducing the term of the Right of Entry, outlined in Paragraph 3, to two years (instead of five years). Mr. Uyeda said he also wanted Paragraph 7 changed; the paragraph made the agreements freely assignable by either Party. Mr. Uyeda said the agreements should be non-assignable, so as to make it necessary for the vendor to seek the Board's approval if it wants a new Right of Entry. Making it non-assignable gives DWS control over who comes on to DWS's property, he added.

Chairperson Taniguchi asked whether the purpose of the agreements was to allow the vendor to be able to enter DWS's property for inspection and repairs, etc.

The Manager-Chief Engineer said that this enables the vendor to install and maintain their equipment on DWS's property.

Chairperson Taniguchi asked whether DWS needed an agreement for repairs.

The Manager-Chief Engineer acknowledged that the agreements caught the Department by surprise, too. Normally, a vendor who needs to enter the premises for work is just allowed in, he said. It turns out that the vendor's corporate offices on the Mainland are requiring this Right of Entry. He guessed that the

vendor does this kind of installation at shopping centers and similar venues, and has language in its agreements to allow the vendor to do promotion, etc. The Manager-Chief Engineer said that DWS is not a shopping center or a similar facility, and he agreed with Mr. Uyeda's reluctance to allow such advertising and promotion at DWS.

Ms. Garson suggested that Mr. Uyeda make an amendment to the Motion.

Mr. Uyeda agreed.

Chairperson Taniguchi asked whether this would be a recommendation and whether it would still be necessary to have the vendor check with their legal department. He asked whether these agreements were introduced by the vendor (i.e., instead of by DWS).

Ms. Garson confirmed that the vendor introduced the agreements.

The Manager-Chief Engineer asked Ms. Garson if it would be necessary to go back to the vendor with an amended agreement.

The Deputy confirmed that these agreements were definitely not originated by DWS, nor did DWS require these agreements. The vendor's corporate office on the Mainland asked the local vendor to do this; this was admittedly something new to the local vendor. The agreements are probably a precautionary measure for the vendor, but the Deputy assured the Board that in any event, the vendor would never have access to DWS property unless the Department allowed them access. The vendor would never have free access to DWS buildings at any time of the day; DWS would have to be open for business for the vendor to gain entry, he said. The Deputy said he was not sure what the underlying reason for the agreements were, but he assured the Board that the agreements did not give the vendor carte blanche to enter whenever he wanted.

Chairperson Taniguchi asked Ms. Garson how the Board should handle the proposed amendments.

Ms. Garson said that if Mr. Uyeda wants to amend the Motion to approve the agreements, subject to the revision of the three items, assuming that the vendor finds the changes acceptable, there will be no need to come back to the Board for further action. If the vendor disapproves the changes, then the Department will come back before the Board, she said.

AMENDED MOTION: Mr. Uyeda moved to approve the agreements with the following revisions:

1. In Paragraph 2, the last sentence regarding the right to advertise, etc. is to be stricken (removed). 2. In Paragraph 3, the term of the agreement is to be changed to 2 years (instead of 5 years); and 3. In Paragraph 7, the agreement is to be non-assignable. Ms. Lee Loy seconded.

Chairperson Taniguchi asked whether the Board was voting on this Amended Motion.

Ms. Garson confirmed this.

ACTION: Amended Motion carried unanimously by voice vote.

ACTION: Main Motion as Amended carried unanimously by voice vote.

C. **REVOCABLE RIGHT OF ENTRY AGREEMENT -- OWNER: TRUSTEES OF THE ESTATE OF BERNICE PAUAHI BISHOP; PERMITTEE: COUNTY OF HAWAII DEPARTMENT OF WATER SUPPLY, TAX MAP KEY: 7-8-004: 4, 12, 15, 13, AND 16:**

The County of Hawaii Department of Water Supply (DWS) is requesting a right of entry from the Trustees of the Estate of Bernice Pauahi Bishop on its property in Keauhou, North Kona, Hawai'i, TMK: 7-8-004: 4, 12, 15, 13, and 16 (Kamehameha Schools/Bishop Estate property). The request is to

allow DWS to proceed with its due diligence for the planning of the construction of a storage tank and waterline on the said Kamehameha Schools/Bishop Estate Property.

The Manager-Chief Engineer recommended that the Water Board approve the Revocable Right of Entry Agreement, and authorize the Chairperson or Vice Chairperson to execute the agreement subject to the approval as to form and legality of the Office of the Corporation Counsel.

MOTION: Mr. Robinson moved to approve; seconded by Mr. Arikawa.

The Manager-Chief Engineer said that about a year ago, Kamehameha Schools (KS) granted DWS permission to pursue design of a production well on one of the wells that KS owned just mauka of the Māmalahoa Highway in Kona. As DWS does its due diligence with its design consultants, this security Right of Entry from KS was needed. KS has lessees in the area, and KS wants to make sure that its lessees are not affected by DWS's entry on to the property to do due diligence to design the well.

ACTION: Motion carried unanimously by voice vote.

D. **AD HOC COMMITTEE PURSUANT TO HRS SECTION 92-2.5(B) TO PRESENT, DISCUSS AND/OR NEGOTIATE FOR LEGISLATION REGARDING THE PLACEMENT OF SUCH LIENS ON REAL PROPERTY FOR NON-PAYMENT OF WATER BILLS:**

The Ad Hoc Committee is exploring legislation pursuant to HRS Section 92-2.5(B) which would allow the placement of an automatic lien on property for non-payment of water bills. Ad Hoc Committee chairperson, Mr. Rick Robinson and his Committee will present, discuss, and/or negotiate for such legislation with any necessary person including, but not limited to, any water or wastewater department or division of any county, and/or with any legislators in the State of Hawai'i.

The Ad Hoc Committee is also exploring a revision of the Department of Water Supply Rules and Regulations to hold a property owner responsible for any water bill for water service to such property, whether or not the property owner resides on the property; and that no water service will be granted to such property until all such delinquencies are paid or other agreement is reached.

Mr. Robinson said the Committee has yet to meet, and therefore there was no report today. He had appointed Ms. Lee Loy and Mr. Uyeda to the Committee.

E. **AD HOC FINANCE COMMITTEE REPORT:**

Mr. Sumada said he had been working with DWS's software vendor on implementing the lock box cash receipts system. The water bill revisions are in place, and DWS is testing the payment file from the bank. The testing is taking longer than expected, and Mr. Sumada expects the payment file might not be completely in place until the end of the year. DWS has changed the water bill so that the remittance stub is on the bottom.

Chairperson Taniguchi noted that the revised bill will be able to go through the scanner consistently.

F. **ENERGY MANAGEMENT ANALYST UPDATE:**

Ms. Myhre reviewed the highlights from the Quarterly Report she produced for the Board packets. Consumption has held fairly steady at about 1.55 billion gallons every two months. The Power Cost Charge (PCC) has also been stable the past few years, holding at around \$2.35 per 1,000 gallons, while the cost for energy has remained at about 38 cents per kilowatt-hour in 2011, 2012 and 2013, she said.

Non-revenue water, which includes leaks, theft, hydrant flushing, etc., has fluctuated because some of the Department's leak detection loggers have broken down. However, new loggers have been installed

this year to boost leak detection efforts, she said. Ms. Myhre noted that leak detectors have a lifespan of about five years, but DWS is getting about seven years out of its loggers, thanks to maintenance.

Regarding hydro-generator output, the output for FY2013 was a little lower than the previous fiscal year, because there was less water flowing through the Kaloko system, when the Palani Transmission Line was brought on-line. The other key reason for lower hydro-generator output was because the Waimea hydro-generator underwent repairs for about three months. Both hydro-generators are now on-line, but the Kaloko hydro-generator's output varies with the flow of the water as it is regulated through the Palani Transmission Line. DWS is keeping close track of that, Ms. Myhre said.

Regarding the Department's Rider M contracts with HELCO, DWS is averaging about \$21,200 a month in demand savings. This figure is a little lower than the last few years, due to some well repairs in Kona that necessitated DWS turning on its pumps during HELCO's peak demand period of 5:00 p.m. to 9:00 p.m. (When this happens, DWS forfeits Rider M discounts from HELCO it would normally get for refraining from pumping during peak hours.)

On the Lālāmilo Windfarm project, DWS hopes to finalize the Power Purchase Agreement (PPA) with the contractor next month. If everything goes smoothly, the PPA will go before the Board at the September meeting, Ms. Myhre said.

Mr. Uyeda asked how much non-revenue water DWS has a year on average.

Ms. Myhre said it is 1.6 billion gallons every two months, multiplied by six.

Mr. Uyeda said that translates into about 20 percent non-revenue water; he said that is a pretty large amount.

Ms. Myhre said the average for the United States as a whole is about 15 percent. At 20 percent, DWS comes in more than the national average, but it used to be worse.

Mr. Uyeda asked how DWS compares with the other water departments in the State.

Ms. Myhre said it was pretty comparable with the other counties, due to the age of DWS's pipes.

Mr. Robinson noted that non-revenue water amounts to about 10 billion gallons a year. He asked whether it was considered as "pumped from the ground" or "delivered."

Ms. Myhre said it was pumped from the ground.

Mr. Robinson drew the distinction between water that was delivered but not pumped (i.e. spring water, etc.) under the influence of gravity, and water that was physically pumped. He asked whether the water that was not pumped could mean that there actually was more than 10 billion gallons of non-revenue water.

Ms. Myhre said that what she referred to as *non-revenue* water was deepwell volumes minus consumption. She noted that *revenue* water, (i.e., water that is billed), is consumption.

Chairperson Taniguchi said that therefore, the difference is the water that is not accounted for.

Mr. Robinson asked whether DWS considers all water that is delivered to be "pumped water."

Ms. Myhre said no.

Mr. Robinson said that in that case, the 10 billion gallons is just the pumped part of the water; there would be more water that would be delivered over and beyond that, such as spring water.

Ms. Myhre said no, it does include spring water; it is all water because Ms. Myhre takes into account the spring water and the water from the treatment plant, together with all produced water. It is all source production, she said.

The Manager-Chief Engineer said that maybe DWS should revise the term of “pumped water” to “*produced water*” instead.

Chairperson Taniguchi said maybe it should be “total water production.”

G. MONTHLY PROGRESS REPORT:

Mr. Uyeda drew the Department’s attention to a U.S. Fish and Wildlife Service proposal regarding designations of additional critical habitat mainly in the North Kona area. DWS currently has a draft Environmental Assessment (EA) on its Hinalani project in North Kona, which might fall within this proposed critical habitat area, Mr. Uyeda said.

Mr. Inaba said he would double-check the status on the EA, which he believed had been resubmitted.

Mr. Uyeda said that in the course of understanding this process, he learned that Fish and Wildlife is using submitted EA's and Environmental Impact Statements (EIS's) to determine future critical habitat areas, regardless of whether an area has endangered plant or animal species living there. He noted that the County is dealing with this issue regarding its Kealakehe Regional Park, which is now being proposed as a critical habitat.

The Manager-Chief Engineer said yes, DWS is aware of the situation. The critical habitat issue arose when the State proposed that the new Judiciary building to be built across the street from the West Hawai'i Civic Center in Kona. The State is now looking for another piece of property elsewhere to house the Judiciary.

Mr. Uyeda suggested that DWS needs to double-check to make sure the Hinalani project will be feasible vis a vis the critical habitat issue, before spending a lot of money on the project.

The Manager-Chief Engineer said the Department will confirm that.

Mr. Robinson asked why the Kohanaiki and Palamanui projects are not listed on the Monthly Progress Report.

The Manager-Chief Engineer said that was because they are not DWS projects.

Mr. Robinson asked whether they were in fact private projects, whereby DWS is just the recipient of the water.

The Manager-Chief Engineer confirmed this. He said that DWS is inspecting the projects, which eventually will come into the DWS system; DWS has an inspector at the projects.

Mr. Inaba said that the waterline is currently being installed, and the tank is being built.

Mr. Robinson asked whether the construction of the Wai'aha system would also be subject to DWS inspection, and whether DWS would approve the plans. He asked whether DWS would take over the system when it is done.

Mr. Inaba confirmed all of this; DWS stays pretty closely involved with the larger projects.

Mr. Robinson quipped that it is much better when somebody else does the construction.

H. REVIEW OF MONTHLY FINANCIAL STATEMENTS:

Chairperson Taniguchi noted that since July is the first month of the new fiscal year, the balance sheet was not available this month; the balance sheet will be available ahead of the next meeting.

I. **MANAGER-CHIEF ENGINEER'S REPORT:**

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

- 1) Pu'ukala/Kona Ocean View Properties Subdivision Improvement District Update – DWS is in the process of executing all of the relevant documents, including the bond. There is a lot of red tape, but DWS expects the contractor to break ground in October or November.
- 2) Kamehameha Schools/Kamehameha Investment Corp. (KIC) – Development Plans Update – The Manager-Chief Engineer noted a KS/KIC project just mauka of Kahalu'u Beach Park is currently under review by the Planning Department; DWS has a water commitment for this project. Elsewhere in the area, KS last year tore down the Keauhou Beach Resort, and it is not clear what will happen regarding the water commitments there. KS will retain some of the water usage for the property, but will be coming back to the Board to reallocate some of the water usage to other properties that KS owns in the Keauhou area.
- 3) Queen Ka'ahumanu Highway Widening Project Update – Mr. Sal Panem and Mr. Sterling Chow did not want to appear before the Board to provide an update today. DWS is happy to have negotiated down the price with Goodfellow Brothers, and negotiations continue. The important thing is that DWS is still part of the project, and the additional cost to DWS for the redesign will be handled through the contingency amount that DWS provided back in 2010.
- 4) Kaloko Heights Water Commitment Deposit Update – DWS and attorney Mr. Steve Lim are in discussions regarding this issue; there are no ongoing problems. If necessary, this issue may come before the Board again.

Returning to Item No. 3, Mr. Greenwell asked whether the Queen Ka'ahumanu Highway Widening Project was a done deal. The Manager-Chief Engineer said it was best if DWS kept the Board updated on the redesign and construction work. He said that such updates would be necessary so long as the stockpile of pipes for the project remains at the bottom of the Kealakehe Parkway.

Mr. Uyeda noted that the project had a design piece, and a construction change order; he asked where the construction change order was. The Manager-Chief Engineer said that until the design is completed, DWS will not see the additional costs for construction. If indeed additional construction money is needed, DWS will probably come back before the Board; it will be subject to the completion of the design, he said. The Deputy noted that this project will remain on the Department's C.I.P. spreadsheet, and therefore this project is always available for discussion.

- 5) Waikoloa Reservoir No. 1 Update -- DWS wanted to discuss the repairs and funding with State Civil Defense and the Federal Emergency Management Agency (FEMA), but a scheduled telephone conference call was cancelled on the day of the near-miss by the recent hurricane. DWS is now trying to reschedule that conference call. Mr. Inaba noted that the FEMA point person handling this project has recently been assigned elsewhere, so DWS is trying to arrange a meeting with the new FEMA person. The Manager-Chief Engineer said that hopefully this project can soon go out to bid. Mr. Greenwell asked whether right now it was a matter of rescheduling the meeting. Mr. Inaba said DWS wants to discuss the project with FEMA because DWS needs to extend the time period; DWS is also not happy with the funds that FEMA is proposing, and so DWS is requesting additional funds. He said it was no easy feat to get everybody to agree to a date for the teleconference.
- 6) Parker Well Repairs Update – The contractor is on-site, and the work is proceeding on schedule. The Manager-Chief Engineer noted that DWS monitors storage reservoir levels. He

showed the Board a chart indicating fluctuation in the water storage levels, with levels way down during the drought of 2007. Right now, storage levels are satisfactory, and will remain so, as long as there are inflows. DWS can rely on its Waimea well, which is still producing, even if the Treatment Plant fails to produce.

Mr. Robinson asked about the water commitments regarding KS's two now-demolished hotels, the Kona Lagoon Hotel (with its 464 rooms) and the Keauhou Beach Resort (with 312 rooms). He assumed that the water commitments were probably 10 percent above that; this represents a pretty sizeable block of available water. The Manager-Chief Engineer said the recent newspaper article alluded to such water commitments as being over and beyond the number of hotel rooms. He said that the reallocation of the Keauhou Beach hotel water usage probably will not be through the former hotel properties; the reallocation will be to some other KS properties. Mr. Robinson noted that KS also had three wells in the upper portion of Keauhou; the right of entry granted today gave access to one of those wells. The Manager-Chief Engineer confirmed this. Mr. Robinson said that there are still two more wells up there. The Manager-Chief Engineer confirmed that KS still has two more wells that could be developed, but to develop those wells would require extensive construction of transmission infrastructure.

Mr. Greenwell asked about the status of the access issue between the pastor of Mauna Ziona Church in Kona and the Department. The Manager-Chief Engineer said it was status quo; DWS continues to be vigilant to ensure nothing happens.

- 7) Public Information and Education Specialist Update – DWS issued Waiākea Uka emergency repair messages via Civil Defense notification, emails, text and radio, and by postings to online news sites. Ms. Aton noted that there is an increasing focus on on-line news sources, and she mentioned the need to equip DWS supervisors in the field with cameras, etc. to provide timely updates. A news article in the August 26 edition of West Hawai'i Today contained erroneous statements about DWS water quality in the Kahalu'u service area; DWS was working on a correction. A newspaper article regarding the Veterans Administration (VA) policy to exclude homes on catchment systems from its loan program spurred an exchange of questions between the Mayor's Office and DWS, Ms. Aton said. DWS participated in an eight-hour table-top exercise training, where the Department and other water departments worked together on emergency water response in the event of a protracted emergency situation. Mr. Robinson asked about the new VA policy regarding homes on catchment. Ms. Aton said the VA changed its mortgage financing policy, to exclude homes on catchment systems. This change in policy was triggered by a statement on the DOH website; this change in policy is having a huge impact on veterans living in areas that have catchment. The Manager-Chief Engineer said that catchment is not within DWS's jurisdiction; the only reason that DWS is hearing about this issue is because it involves water. People point fingers at DWS and demand that the Department take action when an issue is water-related, but in this case, DWS has no jurisdiction over this issue. Ms. Aton said this issue is not within DWS's purview; individual catchment systems are not regulated by DOH, either. DOH issued a set of guidelines regarding the proper installation of catchment systems, with the suggestion that the VA fold this into their policy. However, the situation appears deadlocked at this point. Mr. Arikawa asked whether the issue for DOH was potability versus non-potability; it is beyond DOH's control so maybe that was why the VA rejected catchment, he added. The Manager-Chief Engineer said that basically it is a concern about providing potable water for these homes, and the DOH does not monitor individual catchment systems. Chairperson Taniguchi said it was not really in DWS's purview. Ms. Aton noted that the provision of water spigots in areas that are largely on catchment goes some way towards providing municipal assistance to the community drinking water supply.

J. CHAIRPERSON'S REPORT:

None.

10) ANNOUNCEMENTS:

1. **Next Regular Meeting:**

The next meeting of the Water Board will be held at 10:00 a.m. on September 24, 2013 at the Department of Water Supply, Operations Center Conference Room, 889 Leilani Street, Hilo, HI.

2. **Following Meeting:**

The following meeting of the Water Board will be held at 10:00 a.m. on October 22, 2013 at the Department of Water Supply, Operations Center Conference Room, 889 Leilani Street, Hilo, HI.

9) ADJOURNMENT

ACTION: Mr. Greenwell moved to adjourn; seconded by Mr. Arikawa, and carried unanimously by voice vote.

Chairperson Taniguchi adjourned the meeting at 12:10 p.m.

Secretary

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 Janet Snyder, 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.*