

MINUTES

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

June 24, 2014

Department of Water Supply, Operations Center Conference Rm, 889 Leilani Street, Hilo

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

ABSENT:

Mr. Jay Uyeda, Water Board Member
Mr. Duane Kanuha, Director, Planning Department (ex-officio member)
Mr. Warren Lee, Director, Department of Public Works (ex-officio member)

OTHERS PRESENT: Ms. Amy Self, Deputy Corporation Counsel
Ms. Cynthia Moreira, Derrick's Well Drilling and Pump Services, Inc.
Mr. Riley Smith, Lanihau Properties
Mr. Roger Meeker, Honoka'a Plantation Cottages LLC
Ms. Terri Meeker, Honoka'a Plantation Cottages LLC
Mr. Fred Camero, Beylik Drilling and Pump Service, Inc.
Ms. Tammy Duchesne, National Park Service
Mr. Sidney Fuke
Ms. Nancy Cook-Lauer, West Hawai'i Today

Department of Water Supply Staff

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

1) CALL TO ORDER – Chairperson Kaneshiro called the meeting to order at 10:04 a.m.

2) STATEMENTS FROM THE PUBLIC

None

3) APPROVAL OF MINUTES

The Chairperson entertained a Motion to approve the Minutes of the May 27, 2014, 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**

The Secretary noted that the Agenda erroneously listed the lowest responsible bidder for the Supplemental Agenda Item 7(A), JOB NO. 2014-1011, KAHALU‘U B DEEPWELL REPAIR, as Beylik Drilling and Pump Service, Inc.; however, the Recommendation correctly stated that Derrick’s Well Drilling & Pump Services, LLC was the lowest responsible bidder.

The Secretary noted that due to a numbering error, there is no Item 6 in today’s Agenda.

ACTION: Mr. Robinson moved to accept Supplemental Agenda Item 7(A), JOB NO. 2014-1011, KAHALU‘U B DEEPWELL REPAIR; seconded by Mr. Arikawa, and carried unanimously by voice vote.

5) **HĀMĀKUA:**

A. HONOKA‘A PLANTATION RESERVOIR SITE:

The owner of Tax Map Keys (3) 4-5-010:001 and 121, Honokaa Plantation Cottages LLC (HPC), and the DWS wishes to enter into a Water Development Agreement that would ultimately get DWS an approximate 1-acre lot for a 0.5 MG reservoir (on TMK 4-5-010:121) and HPC 100 equivalent units of water. With the Āhualoa-Honokaa Transmission Waterline Project, Phase 2 improvements, the reservoir desired will greatly improve DWS’s ability to supply additional water to the main town of Honoka‘a for potable use and fire protection. Currently, the transmission line serving the existing storage for the area is only a 6” waterline and the 12” transmission line from the Āhualoa Well does not feed the existing reservoir. The desired reservoir site is adjacent to the proposed 12” transmission line and at the same elevation as the existing reservoir. With the new Āhualoa Well and new 12” transmission line (Phase 1) in service, the system will be able to support the additional units proposed in the Agreement.

The Manager-Chief Engineer recommended that the Water Board approve the Water Development Agreement between DWS and HPC and that either the Chairperson or Vice-Chairperson be authorized to sign the documents, subject to approval by Corporation Counsel as to form and legality.

MOTION: Mr. Robinson moved to approve; seconded by Ms. Iokepa-Moses.

The Manager-Chief Engineer said that the Department has been working closely with Mr. Roger Meeker, the owner of the property in question. He noted that DWS had worked years ago with the plantation owned by Theo H. Davies, which was granted a water commitment for the property. Due to various circumstances, the water commitments were left alone, he said. The current owner of the property, Mr. Meeker, now is willing to donate a portion of his land for a reservoir site that dovetails with DWS’s improvement plans for Honoka‘a Town, the Manager-Chief Engineer said. Part of those improvements will come immediately after DWS’s Phase 2 Āhualoa-Honoka‘a Transmission Pipeline project. If the Board approves the Agreement on the dedication of the land to the Water Board, DWS will move forward with the design and construction of a reservoir that will match the existing reservoir that currently serves Honoka‘a Town (i.e., the reservoir tank at Honoka‘a Hospital).

Ms. Lee Loy asked Mr. Sidney Fuke, the consultant to Mr. Meeker, about the intended density. She noted that originally, the property was granted 107 units of water.

Mr. Fuke first provided some background on the property, which was initially reclassified by the State Land Use Commission, and then re-zoned by the County back in the mid- to late-1970s. Subsequently, Theo Davies sold the property to Hāmākua Sugar, which itself closed its doors in 1990. However, prior to its closure, Hāmākua Sugar had planned to do a residential development both mauka and makai of the Māmalahoa Highway, near what is now Tex Drive-Inn. The plan was to develop employee housing and to provide land for the expansion of Honoka‘a Hospital. The developers did some of that development, but as Hāmākua Sugar wound down its operations, it liquidated the properties. They sold properties on the mauka side, which is all part of the same zoning application, to developers including someone named Hagiwara, who did some residential development, Mr. Fuke said. In the 1990s, Mr. Sheldon Zane’s Pheasant Ridge Corporation did some development in the area where Mr. Meeker’s property is. Pheasant Ridge had the 107 water commitments, and did a six-lot subdivision; that is where six water commitments went. The seventh water commitment went to the lot that was for an affordable housing site, adjacent to the hospital. As for the remaining 100 water commitments, when the property was purchased by Mr. Meeker, the annual water commitment fees unfortunately were not paid. Under DWS Rules, nothing could be done with the property, Mr. Fuke said. Mr. Meeker has been working to see what could be done, and he has been working with DWS on how to expedite the overall water development system in the area. He noted that the source is there, and the transmission system is coming down to the area. The only remaining piece was the reservoir site, Mr. Fuke said. As it turns out, a portion of Mr. Meeker’s property is ideal for a reservoir site. Instead of going through the condemnation process, etc., the idea was for DWS to restore the water commitment, and Mr. Meeker would pay all of the facilities charge and provide all of the necessary infrastructure to do the project. In exchange, Mr. Meeker would dedicate the one-acre site immediately. That is essentially what the Agreement is saying. Mr. Fuke said that the zoning is already in place for RS-10, whereby there will be one water unit for every 10,000 square feet. Mr. Meeker will only be able to develop to the extent of the water commitment allowed, i.e., up to 100 units. Mr. Meeker has alternative projects within the existing zoning, aside from the conventional 10,000-square foot subdivision; his plan right now is to work more closely with the Hospital to address the needs of the Honoka‘a community – along the lines of assisted living or senior housing. The water commitment, as well as the zoning, would make that possible, Mr. Fuke said.

Mr. Fuke asked where Tex Drive-Inn is on the map that Mr. Inaba distributed to the Board.

Mr. Fuke said Tex Drive-Inn is on the Hilo side of the property.

Mr. Inaba said the map was kind of upside down. He said Tex Drive-Inn is across the street from Kou Street (in Honoka‘a), right next to the tank, on the makai side of the road.

Mr. Robinson asked about the notation on the map showing “Proposed Phase 2 improvements (12-inch stub out).” He asked if that was coming down from mauka.

Mr. Inaba confirmed this.

Mr. Robinson asked whether the 6-inch line would be coming down from the location listed on the map as “existing Hospital Reservoir.”

Mr. Inaba confirmed this; the map shows that the Hospital Reservoir serves the major portion of Honoka‘a Town through that 6-inch line.

Mr. Robinson asked for confirmation that under the Agreement, DWS gets the one-acre lot for the reservoir tank site, and in exchange DWS gives 100 water meter credits. He asked how much water credits go for now.

The Manager-Chief Engineer said that the facilities charge for one unit of water is \$5,500.00; Mr. Meeker will be paying DWS the prevailing facilities charge for the 100 units. He confirmed that Mr. Meeker will be paying the prevailing facilities charge, and give DWS the one-acre parcel.

Mr. Greenwell said he thought Mr. Robinson was asking how much the water unit sells for; he asked Mr. Robinson whether that was different from the facilities charge.

Mr. Robinson said they were one and the same; the facilities charge is the meter charge. To get a water meter, one must pay a facilities charge.

Mr. Greenwell said he thought the value of the water unit is between the two parties, i.e., the price that DWS would be selling the water unit to someone, or the price that a developer would sell a water unit for.

The Manager-Chief Engineer said it was a long story, but the \$5,500.00 facilities charge is way less than it should be today. However, that is what the facilities charge still is.

Mr. Greenwell, noting that Mr. Fuke had said Mr. Meeker would be working with the Hospital, asked if Mr. Meeker was going to need any larger water meters than the residential meter.

Mr. Fuke said no, the Hospital already has its own project. It is Mr. Fuke's understanding that under the Agreement, Mr. Meeker would have 100 equivalent units of water, that would translate into about 40,000 gallons of water. Regardless of the size of the development, Mr. Meeker will not be able to do more than 100 individual residential lots because the limit is 40,000 gallons of water.

Mr. Greenwell asked if this was an extension of the Hospital.

Mr. Fuke said no.

Mr. Greenwell said that Mr. Fuke mentioned that Mr. Meeker was working with the Hospital.

Mr. Fuke apologized and said he kind of misspoke. What he intended to say was that because of the proximity of the Hospital, Mr. Meeker is looking into alternative plans aside from developing the conventional 10,000-square foot lot subdivision, and is exploring whether elderly housing or assisted living facilities might complement existing use in the area.

Mr. Robinson asked if all of the improvements for the waterlines in the area would provide service for the area mauka of the Māmalohoa Highway.

The Manager-Chief Engineer said yes, that is correct. The engineer in charge will come up with the policy for water availability for the mauka area; with these improvements, water availability will change in the mauka area. The Department will notify the Board when that new policy is formulated.

Chairperson Kaneshiro noted that he and Mr. Greenwell attended a course on facilities charges, etc., at the recent ACE14 Conference in Boston, where the attendees were cautioned about impact fees and the need to make sure that existing customers were not charged for impact fees incurred by developers. The attendees were urged to make sure that impact fees were covered by the cost of improving the water system, he said.

The Manager-Chief Engineer thanked the Chairperson for raising that subject, which he believed should be included in future discussions of DWS's water rates and facilities charges.

Chairperson Kaneshiro said that the Board and DWS need to be very careful.

ACTION: Motion carried unanimously by voice vote.

(Note: Due to a numbering error, there was no Item 6 in the Agenda.)

7) NORTH KONA:

A. **JOB NO. 2014-1011, KAHALU‘U B DEEPWELL REPAIR:**

This project generally consists of the replacement of the existing well vertical hollow shaft motor, pump, column pipe, enclosing tube, lineshaft, lineshaft bearings and all appurtenant equipment, such as strapping, chlorination of the well and pumping assembly, in accordance with the plans and specifications.

Bids for this project were opened on June 19, 2014, at 2:30 p.m., and the following are the bid results:

Bidder	Bid Amount
Beylik Drilling and Pump Service, Inc.	\$265,515.00
Derrick’s Well Drilling and Pump Services, LLC	\$254,000.00

Project Costs:

1) Low Bidder (Derrick’s Well Drilling and Pump Services, LLC)	\$ 254,000.00
2) Contingencies (10%)	\$ 25,400.00
Total Cost:	<u>\$ 279,400.00</u>

Funding for this project will be from DWS’s CIP Budget under Deepwell Pump Replacement. The contractor will have 270 calendar days to complete this project. The Engineering estimate for this project was \$310,000.00.

The Manager-Chief Manager recommended that the Board award the contract for JOB NO. 2014-1011, KAHALU‘U B DEEPWELL REPAIR, to the lowest responsible bidder, Derrick’s Well Drilling and Pump Services, LLC, for their bid amount of \$254,000.00, plus \$25,400.00 for contingencies, for a total contract amount of **\$279,400.00**. 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. Arikawa moved to approve; seconded by Mr. Greenwell.

Mr. Greenwell noted that DWS appears to be having a lot of problems with its wells in the Kahalu‘u area. He asked whether that was due to aging infrastructure, or due to the pumps working too hard.

The Manager-Chief Engineer said it is a combination of several things. The Kahalu‘u Shaft has been pumping higher chlorides lately, and these well repairs were sidelined for a while. DWS is now in a position to do these repairs, and wants to move forward on the repairs of this well. This will allow the Kahalu‘u Shaft source to kind of rest, so that the chloride situation will improve, he said. He noted that with the Kahalu‘u D Well coming online, DWS wanted to move forward on repairing this well. DWS has four wells in the area, he added.

Mr. Robinson asked whether the past performance of Derrick's Well Drilling & Pump Services, LLC, on the Kahalu'u Well D repair project had any bearing on this bid.

The Manager-Chief Engineer said the Kahalu'u Well D repair project would be discussed later during the Manager-Chief Engineer's Report. Derrick's had earlier provided the Board with a new time schedule, which can be discussed during the Manager-Chief Engineer's Report.

Mr. Robinson asked whether the continual delays on the Kahalu'u Well D repair project had any effect on this bid.

The Manager-Chief Engineer said no.

Ms. Lee Loy asked whether the difference between the bid price and the Engineering estimate of \$310,000.00 could portend a change order later on.

Mr. Clyde Young, explaining the difference between the estimate and the bid, said that DWS tries to rely on historical data when coming up with an estimate. Contractors constantly compete with each other, but their bids might come in higher or lower, depending on the contractor's workload. DWS does not know how the contractors are actually going to bid, but tries to nail down the estimate to within 10 percent.

The Manager-Chief Engineer said that the actual bids this time came in really close. Regardless of what Engineering's estimate is, it comes down to how the contractor bids, what the contractor's schedules are, etc.

Mr. Arikawa asked whether this repair has anything to do with the Kahalu'u Shaft improvement project.

The Manager-Chief Engineer said no.

ACTION: Motion carried unanimously by voice vote.

B. JOB NO. 2012-985 HUALĀLAI DEEPWELL REPAIR – TIME EXTENSION REQUEST:

The contractor, Beylik Drilling and Pump Service, Inc., is requesting a contract time extension of October 31, 2014. This is due to unforeseen events involving continuous high amps with the well attributing to the damage of the column check valves and submersible motor. This request is to cover the time expended on troubleshooting, well extraction and repair of damaged equipment; and the necessary time required to procure replacement materials and for reinstallation work. This event was beyond the control of the Contractor and the original scope of the repair.

Note: There are additional costs associated with this time extension. Material and labor costs for replacement materials and repaired equipment to be conducted by Change Order request.

1st time extension – 123 calendar days

2nd time extension – 273 calendar days

The Manager-Chief Engineer recommended that the Board approve a contract time extension to Beylik Drilling and Pump Service, Inc, of 273 calendar days for JOB NO. 2012-985, Hualālai Deepwell Repair. If so approved, the contract completion date will be revised from January 31, 2014 to October 31, 2014.

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

The Manager-Chief Engineer said that this project has been fraught with problems, and DWS just wants to move forward with the project. He said the contractor is on hand to give details on why the additional time is needed to complete the project.

Mr. Greenwell noted that DWS was having quite a lot of problems with pumps; he asked whether this was because DWS is way out in the Pacific, or because DWS is a small customer. He asked what the problem was, and what can be done about it. He noted that DWS's vendors are having pump problems, and asked what DWS can do to help these vendors.

The Manager-Chief Engineer said that he was not exactly sure where the problem lies (i.e., whether it is due to DWS's remote location out in the Pacific or because the manufacturers on the Mainland are not responsive, etc.) He said that he liked to believe that DWS's contractors are great contractors. DWS may need to impress on its contractors that they need to be wary of their suppliers, and that the contractors' contracts with their suppliers need to be enforced. The Manager-Chief Engineer said that on this project, there were circumstances out in the field that played into some of the delays. There was a problem with the transformer, and the transformer was replaced. The transformer problem was not the contractor's fault. The good thing is that there are great contractors here on the island, with whom DWS can work closely to solve problems locally.

Mr. Greenwell said he understood what the Manager-Chief Engineer was saying, but he wanted to know if DWS could put any pressure on whoever on the Mainland the contractor is dealing with; it seemed that the local contractors were not getting proper service.

The Manager-Chief Engineer said he was not sure if that is something that DWS could do.

Ms. Self said the discussion was veering off the Agenda.

The Manager-Chief Engineer said he did not know whether DWS could work with Corporation Counsel to try to enforce sub-contracts. However, DWS's contract with the contractor is *the* contract, he said.

Mr. Robinson noted that the contract actually expired on January 31, 2014, but there is a timeline showing the things the contractor has been doing since then. He noted that on the Troubleshooting/Repair Justification page, it says that the previous motor had prior issues with overcurrent trips. He asked whether that was due to HELCO varying the power up and down.

The Manager-Chief Engineer said he was not sure.

Mr. Young said that he did not have a copy of the Troubleshooting/Repair Justification page, but it had nothing to do with HELCO.

Mr. Robinson said the Troubleshooting/Repair Justification page also said: "May want to look into whether the soft starter is sized correctly, as it would not take the full load current input for the 4060V tap."

Mr. Young said the Department looks at everything whenever we're troubleshooting; it is a process of elimination. DWS obviously does not want to pull the pump out of the well until the staff verify that everything on the top-side, i.e., the Department's equipment, is okay. DWS also looks at whether there's a HELCO-related problem or a problem with the soft starter, the transformer or even the wiring. The troubleshooting process takes quite a bit of time, and DWS

at the time was down to only two electricians, so the process dragged on, Mr. Young said. This was no fault of the contractor, he added.

Mr. Robinson noted that SME USA, Inc., the sub-contractor, wrote to Beylik saying: “Based on photos...it appears most of the wear of the thrust assembly was while the motor was running backwards.” He asked if it was true that motors run backwards.

Mr. Young said that motors will run backwards when they are shut off on submersible pumps. The water basically does back down the hole; there are what are called “deep check valves” that allow the water to go back into the well at a slow pace, he said. He said that obviously, it would not be good to have the motor spinning at a high speed.

Mr. Robinson said the SME letter also said: “It appears to have occurred due to a loss of proper lubrication. The lubrications may have been lost due to a water hammer, causing damage to the thrust assembly.”

Mr. Young said yes, the thrust bearing was damaged, and DWS is thinking that a failure of the check valve was the cause. Unfortunately, the check valves were the original ones, so the Department basically owned the check valves. They were not supplied by the contractor. The Department does not know the root cause of why the well failed, but the culprit appears to be a check valve failure, Mr. Young said. DWS negotiated with the contractor on how to finish this repair, and to finish this repair, DWS needed to ask the Board for a time extension. DWS had to get additional parts, and needed to replace the check valves. The motor also needed to be repaired. The Department also needed to make sure that the pump, which was supplied by DWS, was not the cause of the well failure. There were some additional costs involved there, too, Mr. Young said.

Mr. Robinson asked if DWS self-insures or has some kind of insurance policy to cover damage such as this.

The Manager-Chief Engineer said the money for this kind of situation comes out of CIP funds; there is no insurance for this kind of situation. He noted that the additional existing well had only two check valves, and part of the repair that DWS plans to do involves putting in a third check valve. In the event of a shutdown, the third check valve will reduce the flow back into the well.

Mr. Young said that DWS is doing a bit of design improvements on the check valves, modifying them to improve their reliability. DWS does not want this kind of problem to arise again; the last couple of repairs DWS needed to do involved check valves. The check valves come straight from the manufacturer, but DWS is making improvements to them because of the uniquely deep-set nature of wells like Hualālai, which is over 1,500 feet deep. These deep wells have a lot of head and a lot of pressure, so hopefully the third check valve will break up the pressure a bit. The aim is to ensure reliability, Mr. Young said.

Mr. Robinson apologized for pursuing the subject. He asked about the line in the timeline: “Beylik commenced pulling well” on April 9, 2014. He asked if that meant that they pulled the pump out of the well.

Mr. Young said that was correct.

Mr. Robinson asked whether the contractor started pulling the well three months after the contract deadline on January 31, 2014.

Mr. Young confirmed that when the contractor finished the job back in January, the high amps problem arose. That was when the troubleshooting started, and after numerous checks of the

starter, etc., DWS verified that all of the top-side equipment looked okay. It was only then that the pump was pulled.

Mr. Robinson asked whether part of the problem was that the upper check valve failed in the closed position.

Mr. Young confirmed this.

Ms. Lee Loy asked for confirmation that if there had not been a problem, there would be no need to ask for a time extension.

Mr. Young confirmed this.

Ms. Lee Loy asked whether from January through April 2014, DWS was using the time to do its troubleshooting.

Mr. Young confirmed this.

ACTION: Motion carried with six (6) Ayes: (Messrs. Arikawa, Greenwell, and Takamine; Chairperson Kaneshiro and Ms. Lee Loy and Ms. Iokepa-Moses) and one (1) Nay: Mr. Robinson.

C. **JOB NO. 2012-985 HUALĀLAI DEEPWELL REPAIR – CHANGE ORDER:**

The contractor, Beylik Drilling and Pump Service, Inc., is requesting a contract change order for the replacement and repair of damage materials and equipment, and troubleshooting services for Hualalai Deepwell. Due to high amps tripping off the well damage was incurred to the column check valves and submersible motor. Total project costs shall not exceed \$235,256.72. The description of additional materials and associated fees are as follows:

ITEM	DESCRIPTION	AMOUNT
1.	Additional funds required for replacement and repair of damaged materials and equipment.	\$ 53,611.72
	TOTAL	\$ 53,611.72

Original Contract Amount: \$ 79,223.00
Original Contingency amount: \$ 7,922.00
1st Additional Contingency request: \$ 94,500.00
2nd Additional Contingency request: \$ 53,611.72

The Manager-Chief Engineer recommended that the Board approve an increase in contingency of \$53,611.72 to Beylik Drilling and Pump Service, Inc., for JOB NO. 2012-985, HUALĀLAI DEEPWELL REPAIR.

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

The Manager-Chief Engineer said that the time extension meant additional costs to complete the project.

Mr. Greenwell asked how the Department calculates its contingency funds. He asked whether it was based on how much the contractor eats, versus how much the Department eats; he asked whether instead, it was just based on how much money DWS needs.

The Manager-Chief Engineer said most of it is a matter of looking at actual costs; it is not a matter of what DWS is willing to give up, or what the contractor is willing to give up. A lot of negotiating goes on, and it boils down to what is fair to both sides, he said. He said that at times,

the initial 10 percent contingency is not drawn on to complete a project. In this case, DWS overran the contingency by 100 percent due to circumstances in the field, so there is no calculation involved. Instead, DWS negotiates with the contractor to see what it will cost to solve the problem, and DWS looks to see if there is CIP funding available. In that case, DWS will come before the Board. If there is no CIP funding, the option is either to cancel the project, or look for other means of funding. Fortunately, in the current case, there is some play in the CIP funding.

Mr. Takamine asked what the first change order of \$94,500.00 was for.

Mr. Young said it was for the transformer. This project had multiple problems, and the transformer was one of the problems. It looked like it was a bit under-sized, so DWS addressed the transformer problem. However, DWS still had high-amp issues.

Ms. Lee Loy asked what the original Engineering Estimate for the project was.

Mr. Young said that he did not know offhand the Engineering Estimate for this project.

The Manager-Chief Engineer said that the initial contract amount was \$79,000.00, and the Engineering Estimate was probably a little more or a little less. He said he could find out what the Engineering Estimate was, but he too did not know what it was offhand.

Ms. Lee Loy said that going forward, it would be very helpful, especially when looking at change orders, to provide the Engineering Estimate. She asked what the current status of the project is, now that the pump has been pulled out of the well.

Mr. Young called Mr. Fred Camero, the contractor, to respond.

Mr. Camero said that the project is about 80 percent completed. The motor has already been repaired, or about 95 percent. The pump has been taken apart and inspected. The third check valve needs to be ordered, and once the third valve comes in, Beylik will be able to do the re-installation.

Ms. Lee Loy asked whether the time extension would be until October 2014.

Mr. Camero said yes, based on the delivery time of the check valve and the re-installation.

ACTION: Motion carried unanimously by voice vote.

D. FIRST SUPPLEMENTAL WELL DEVELOPMENT AGREEMENT DATED AUGUST 12, 2009; PALANI WELL (TMK: 7-4-002:008):

The developers Lanihau Properties, LLC, West Hawaii Business Park, LLC, and Palani Ranch Company, Inc. (“Owners”) request an extension of the “Completion Deadline” identified in Section 1(b) of the First Supplemental Well Development Agreement dated August 12, 2009 (“Agreement”), due to circumstances beyond the control of the Owners. The original “Completion Deadline” as specified in the Agreement was December 31, 2011. An extension of the “Completion Deadline” to June 30, 2014 was given by the Board on December 18, 2012.

The present request would extend the completion deadline to December 31, 2014.

DWS Staff has been kept apprised of the situation and has no objections to the extension request. All other requirements and conditions of the Agreement will remain unchanged.

The Manager-Chief Engineer recommended that the Board approve the extension request to change the "Completion Deadline" as defined in the First Supplemental Well Development Agreement from June 30, 2014 to December 31, 2014.

Mr. Greenwell asked to be recused from the discussion of this Item.

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

The Manager-Chief Engineer said that Palani Ranch was on the verge of dedicating their well to DWS when unfortunately, the pumps stopped running and could not be restarted. The Item today is a time extension request, and it is hoped that the December 31, 2014, deadline is more than enough time to do the necessary repairs, he said. Mr. Riley Smith from Palani Ranch is here to answer any questions, he added.

Ms. Lee Loy said she did not have any questions, but instead thanked Mr. Smith for coming to the Board today and on previous occasions to provide updates on the project.

Mr. Robinson observed that there seemed to be a lot of problems with pumps in West Hawai'i. He asked whether it was the water that was causing the problems.

Mr. Smith said no, it was not the water. He said that high pressure conditions prevail at the well, which is at the 1,700-foot elevation. The well is taking water from sea level and bringing the water up. At 1,700-foot elevation, it is a high-pressure situation, with 500-600 psi. He said that Mr. Fred Camero of Beylik Drilling and Pump Service, Inc. is the contractor. Palani Ranch is working very cooperatively with DWS and Beylik, along with Palani's design consultants, Akinaka & Associates and Okahara & Associates, to solve the pump problem, Mr. Smith said. Everybody understands how critical this project is, because it will provide water for all of the community projects in the area, he said. Mr. Smith noted that Palani Ranch had similar problems at its Hualālai well, involving the failure of check valves and thrust bearings. He said the project is 95 percent complete. Mr. Smith said he was withholding \$500,000.00 from the contractor, who would like to get the money, and Palani Ranch would like to give it to the contractor. Palani Ranch wants to dedicate the well to DWS, and so everyone is diligently cooperating to get it up and running. He noted that there are high-level aquifers in North Kona that are very different from the low-level aquifers that occur on the east side of the island. These high-level aquifers make for high pressure, and it makes things a bit more complicated, Mr. Smith said. He said to Mr. Robinson that he must have experienced similar problems with the wells in the Keauhou area.

ACTION: Motion carried with six (6) Ayes: Messrs. Arikawa, Robinson and Takamine; Chairperson Kaneshiro, Ms. Lee Loy and Ms. Iokepa-Moses; and one (1) Recusal: Mr. Greenwell.

8) 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**

Grantor: EWM Enterprises, LP

Tax Map Key: (3) 9-5-024:069

The Manager-Chief Engineer recommended that the Water Board accepts 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.

The secretary noted that there was a typo on the Agenda: the TMK for the Grant of Easement should be (3) **9-5-024:069** (instead of (3) 5-9-024:-69).

Ms. Self said there should be a Motion to Amend.

MOTION TO AMEND: Ms. Lee Loy moved to amend the Recommendation and the TMK to reflect (3) 9-5-024:069.

Mr. Robinson asked whether this TMK was in Ka'u.

Mr. Inaba confirmed this.

ACTION: Motion to Amend passed unanimously by voice vote.

ACTION: Mr. Robinson moved to approve the Main Motion as amended; seconded by Ms. Lee Loy, and carried unanimously by voice vote.

B. MONTHLY PROGRESS REPORT:

Mr. Robinson asked whether CTS Earthmoving still had a little bit to finish the project.

Mr. Inaba said the construction is complete, and the only thing left is the Hawai'i Compliance Express (HCE) requirement.

C. REVIEW OF MONTHLY FINANCIAL STATEMENTS:

Mr. Robinson said he had three questions. He asked about the entry on the Balance Sheet which mentions how cash increased by about \$6.5 million, due to positive cash flows from operations and development activity, and has resulted in increases in the General Fund in Treasury, CIP and Facilities Charge collections. He asked how the numbers were allocated to those three accounts.

Mr. Sumada said that the amounts in Facilities Charge collections are not allocated; those are deposits that are made directly to that account, based on what DWS received.

Mr. Robinson asked if those were actual deposits.

Mr. Sumada said yes, they are deposits from developers. The CIP reserves account is an account that receives allocations periodically. Mr. Sumada said he transfers money from the General Fund to this CIP reserve account, in order to fund projects, while making sure that there is enough money left in the General Fund to cover daily disbursements. Typically, Mr. Sumada makes transfers at fiscal year end, or when the General Treasury account accumulates enough deposits from water sales, he said. It is not an exact science; Mr. Sumada does not transfer amounts based on a formula; he transfers money when he feels he can keep enough money in the bank, while funding construction at the same time.

Mr. Robinson said that Mr. Sumada is just balancing the accounts, so to speak.

Mr. Sumada confirmed this.

Mr. Robinson asked about the General Funds in Treasury account.

Mr. Sumada said that is DWS's general checking account, so all deposits from water sales, etc., go in, and all checks that DWS writes come out of that account.

Mr. Robinson asked whether the \$2.1 million mentioned on the Balance Sheet would be left there to balance the account, and would be allocated if need be.

Mr. Sumada confirmed this.

Mr. Robinson said his second question was on Page 3 of the Financial Report, under "Deferred Charges, Preliminary Survey and Investigations." He asked what that would be.

Mr. Sumada said those are projects that are at the design stage; they are projects which will eventually involve construction of some sort. DWS is paying consultants to develop plans, etc., and those costs accumulate in this account. When construction begins and a contractor is hired, those funds move into the CIP accounts.

Mr. Robinson said in that case, they would not be considered "soft costs" as part of CIP; they would be a separate account, and would only become CIP at the point that the project starts.

Mr. Sumada said that was correct.

The Manager-Chief Engineer agreed, saying that this would happen during construction. The Preliminary Survey and Investigations are basically the design consultant contracts that are ongoing; once the design is complete, additional funding may be allocated separately for construction.

Mr. Robinson said that if, for example, there is a construction project valued at \$10 million, once the contract is initiated, Mr. Sumada may then transfer \$250,000.00 from this account into the CIP, for the construction. It would be reflected as "soft costs," and then the construction amount would be "hard costs" for the project.

Mr. Sumada confirmed this.

Mr. Robinson asked if it would show up in the CIP for the project itself.

Mr. Sumada confirmed this.

Mr. Robinson said that the third question he had involved collections, on the last page of the Financial Statements. He asked why December 2012 receivables were so much higher than December 2013 receivables. Mr. Robinson said that really jumped out at him.

Mr. Sumada said he would have to check, and get back to Mr. Robinson on that. He was not sure why there was such a big difference between the December 2012 receivables and December 2013 receivables.

D. MANAGER-CHIEF ENGINEER'S REPORT:

The Manager-Chief Engineer asked that Item No. 4, regarding the Kahalu'u D Deepwell Repair & Improvements Project Update, be handled first, because Ms. Cynthia Moreira of Derrick's was on hand to answer questions. Derrick's was given a time extension until July 22 to complete the project; Derrick's provided the Board today with a new timeline that will take things to August 15, 2014, i.e., past the July 22 deadline. The Manager-Chief Engineer said that Ms. Moreira will need to come in for another time extension request at the July 22 Board meeting. He said that Derrick's has been diligent in working with its suppliers on the Mainland to get the pump motor here to the Big Island. DWS will take a good look at the timeline Ms. Moreira provided today,

and will come up with a Recommendation for next month's meeting. He held out the possibility that Derrick's could complete the project by July 22, but in the meantime, Ms. Moreira is here to answer the Board's questions.

Mr. Greenwell said he expected that Ms. Moreira would be in next month to request a time extension, and to provide an update on the project.

The Manager-Chief Engineer said that he had let Ms. Moreira know that it would be best if she attended future Board meetings to report on progress of the project; he noted that the Board has been very sympathetic regarding the project delays.

Ms. Iokepa-Moses asked Ms. Moreira if communications with the Mainland had improved.

Ms. Moreira confirmed that National Pump Company, with whom she is now dealing, has taken over the project, and has notified her that the pump has been shipped over. The pump is expected to arrive on the island July 2 or July 3. At that time, Derrick's can look at its schedule again, to coordinate with the sub-contractors on the project to ensure that there are no conflicts. She confirmed that National Pump has corresponded by letter, and has provided an update about when the pump was ready, etc.

The Manager-Chief Engineer's Report continued as follows:

- 1) Pu'ukala/Kona Ocean View Properties Subdivision Improvement District Update – Mr. Inaba said that work has slowed down due to a number of rainout days. The contractor is scrambling to repair what the rain is damaging. Meanwhile, the waterline is close to completion, and the service lateral is ready to go, Mr. Inaba said. Things are on schedule, and the contractor is keeping track, and coordinating the rainout days with DWS.
- 2) Waikoloa Reservoir No. 1 Update – The main consultant, Kleinfelder, has received the final report on environmental issues, and they should be submitting it this week, Mr. Inaba said. DWS is hoping get this bid out before the end of the year. Mr. Greenwell asked what was happening with the fence and DLNR's forest boundaries, which Mr. Inaba mentioned at last month's meeting. Mr. Inaba clarified that it was DHHL, not DLNR, to whom DWS submitted an application regarding the fence and DHHL's forest boundaries.
- 3) Kawailani Tank Update – Mr. Inaba said that the fence posts should be done this week, and the paving should be done by next week. HELCO has relocated their pole, which had been directly in front of DWS's property. DWS should now be able to do all of its equipment testing. DWS has been coordinating with HELCO and Hawaiian Telcom, to reconnect to the site.
- 4) Kahalu'u D Deepwell Repair & Improvements Project Update – *Item handled earlier.*
- 5) Material Bid No. 2014-02, Section 20 – Solid State Reduced Voltage Soft Starter – The Manager-Chief Engineer noted that Mr. Robinson last month had inquired about the list of all of the equipment that was part of this \$5.4 million bid. DWS put the list in the Board packets. The Manager-Chief Engineer said that DWS will only be buying items from this list on an as-needed basis.
- 6) Public Information and Education Specialist Update – Ms. Aton noted that she had emailed news articles to the Board, including items regarding the safety issues prompting the removal of eucalyptus trees in front of the Waiākea Office Plaza. She also noted a brief news item regarding the shutdown yesterday of the Ocean View well for repairs this week. DWS is planning for a public meeting on the Lālāmilo Windfarm Repowering Project, which will take place soon.

The Manager-Chief Engineer noted that the Legislative Auditor had written the Water Board about the audit of DWS's process for standpipe sign-ups. The letter said that the audit found no issues regarding the way DWS conducted the Ocean View sign-ups; the Legislative Auditor has suspended their report amid other priorities, according to the letter. DWS had hoped to see direction from the Legislative Auditor on what process DWS should use in future sign-ups, but the letter made no such mention, the Manager-Chief Engineer said. He proposed putting a discussion of this subject on next month's Agenda, to explore what DWS's next steps might be on future standpipe sign-ups. Right now, it is basically status quo, he said.

E. CHAIRPERSON'S REPORT:

Chairperson Kaneshiro reported on the recent American Water Works Association (AWWA) ACE14 Conference, which took place from June 9 to June 11. Former New York Mayor Rudy Giuliani gave a truly inspirational speech on leadership, he said. The threat posed by aging infrastructure was raised in Mayor Giuliani's talk, and was a recurring theme throughout the conference. The Chairperson said that DWS needs to raise rates in order to fund the replacement of aging infrastructure, and the Department must educate its customers on the reasons for raising rates.

The Manager-Chief Engineer said that DWS is in the process of executing its contract with the water rate study consultants, who will be reporting to the Board in the next few months.

The Chairperson returned to the discussion of Mayor Giuliani's speech, which dealt with essential leadership traits, including setting goals, being optimistic, taking chances, being well-prepared, preparing for the worst, establishing teamwork, asking others about one's weaknesses, knowing one's limitations, and communication. The most important trait is caring about your people.

Mr. Arikawa said he really enjoyed the Introduction to Water and Sewage session he attended with Ms. Lee Loy. Participants were given a puzzle to put together, which taught how a system works.

Mr. Greenwell said that when DWS introduces a water rate increase, it must be very careful to avoid the way Oahu has done their rate increases. The danger lies in giving the impression that the rate increase is an artificial one; Mr. Greenwell said that is the way Honolulu has gone, i.e., playing catch-up and raising rates precipitously. This has led to the public criticizing Honolulu when there is a main break, a frequent occurrence, that leads to huge water losses. DWS needs to educate the public so that they understand the need for rate increases.

Mr. Robinson, noting that he attended the public officials meeting, was struck by what happens when water becomes politicized; people make short-term decisions to make constituents happier or to satisfy a specific concern. In a politicized atmosphere, there is no long-term planning such as CIP and infrastructure planning.

Ms. Lee Loy said that one of her take-aways was that people tend to take water service for granted; water departments across the country do such a good job at supplying water that people fail to see what goes into letting people just turn on the tap. DWS is doing a lot of things right, but coming up with long-term solutions and hard decisions will take courage and strong leadership.

The Manager-Chief Engineer thanked the Board for their willingness to become educated about the water industry; there are a lot of things to learn about it. He mentioned the example of pro golfer Michelle Wie, who finally made her first major tournament. Ms. Wie for years had struggled, and recently admitted that she had striven too hard to be perfect. Once she realized that everyone makes mistakes and that one learns from making mistakes, she started to improve her game. When one comes across a mistake, it can be corrected, and the person then moves forward, the Manager-

Chief Engineer said. He thanked the Board members who attended the conference, and apologized for the cramped hotel accommodations.

Chairperson Kaneshiro encouraged the Board to attend the Kona Water Roundtable, scheduled for July 2.

Mr. Robinson asked the Manager-Chief Engineer if the Department had pursued the offer made at last month's Board meeting by Mr. Bill Shontell. Mr. Shontell, representing Surety Kohala Corporation, offered DWS a well that Surety drilled in 2006-2007 in Hāwī. Mr. Robinson asked if Mr. Shontell could be invited to the July Board meeting.

The Manager-Chief Engineer said that Mr. Shontell was willing to give the well to DWS, but the Department is close to doing what it needs to do with its Hala'ula Well. He said it was good to hear Mr. Shontell's offer, which DWS appreciates. If and when DWS needs to, the Department will take Mr. Shontell up on his offer, the Manager-Chief Engineer said.

Mr. Greenwell said that this looks to become a bit of a discussion.

Chairperson Kaneshiro said that this discussion should be put on the Agenda.

Mr. Robinson agreed that it should be agendized.

Mr. Greenwell said that the Board needs to talk about this opportunity a bit more.

Chairperson Kaneshiro said that such opportunities do not knock too often.

Mr. Greenwell said that there is more to the subject.

Chairperson Kaneshiro asked the Secretary to agendize this item.

The Secretary, in summary, said that the item would be a discussion of Mr. Shontell's offer vis a vis the Hala'ula Well.

Chairperson Kaneshiro instructed the Secretary to agendize that.

Mr. Arikawa said he just wanted to add that he enjoyed watching DWS's pipe tapping team compete at the ACE14 conference, and it was a shame that they did not do well. One of the complaints was that they had old equipment to practice on; he suggested getting newer equipment for them to practice on.

9) ANNOUNCEMENTS:

1. **Next Regular Meeting:**

The next meeting of the Water Board will be held at 10:00 a.m. on July 22, 2014, 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 is scheduled for August 26, 2014, at 10:00 a.m. at the West Hawai'i Civic Center, Community Center, Bldg. G, 74-5044 Ane Keohokalole Hwy., Kailua-Kona, HI.

10) ADJOURNMENT

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

Chairperson Kaneshiro adjourned the meeting at 11:26 a.m.

Secretary

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.

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. 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.