

**MINUTES**  
**DEPARTMENT OF WATER SUPPLY**  
**COUNTY OF HAWAI‘I**  
**WATER BOARD MEETING**  
**January 28, 2020**

**Hilo Operations Center Conference Room, 889 Leilani Street, Hilo, Hawai‘i**

MEMBERS PRESENT: Mr. William Boswell, Jr., Chairperson  
Mr. Eric Scicchitano, Vice-Chairperson  
Mr. David De Luz, Jr.  
Mr. Nestorio Domingo  
Ms. Judy Howard  
Mr. Zendo Kern  
Mr. Benjamin Ney  
Mr. Kenneth Sugai  
Mr. Keith K. Okamoto, Manager-Chief Engineer, Department of Water Supply (ex-officio member)

ABSENT: Ms. Julie Hugo, Water Board Member  
Director, Planning Department (ex-officio member)  
Director, Department of Public Works (ex-officio member)

OTHERS PRESENT: Ms. Diana Mellon-Lacey, Deputy Corporation Counsel  
Mr. Doug Adams  
Mr. Kyle Shelly  
Mr. Alexander Lesaca  
Ms. Vicky Denis-Silva, Derrick’s Well Drilling & Pump Services, LLC  
Mr. Jeff Zimpher (10:10 a.m.)

DEPARTMENT OF  
WATER SUPPLY STAFF: Mr. Kawika Uyehara, Deputy  
Mr. Warren Ching, Energy Management Analyst  
Mr. Kurt Inaba, Engineering Division Head  
Mr. Richard Sumada, Waterworks Controller  
Ms. Judith Hayducsko, Chief of Operations (Temporary Assignment)  
Mr. Eric Takamoto, Operations Division

- 1) CALL TO ORDER – Chairperson Boswell called the meeting to order at 10:00 a.m.
- 2) STATEMENTS FROM THE PUBLIC - Ms. Vicky Denis-Silva stated she would be reserving her statements until the corresponding agenda item.
- 3) APPROVAL OF MINUTES:

ACTION: Mr. Sugai moved for approval of the Minutes of the December 17, 2019, Water Board Meeting; seconded by Mr. Scicchitano and carried unanimously by voice vote.

4) APPROVAL TO ADD SUPPLEMENTAL AGENDA:

ACTION: Mr. Kern moved add the Supplemental Agenda; seconded by Mr. De Luz and carried by roll call vote (Ayes: 8 - Ms. Howard, Messrs. De Luz, Domingo, Kern, Ney, Scicchitano, Sugai, and Chairperson Boswell; and 1 absent: Ms. Hugo.)

Chairperson Boswell noted that this supplemental report will be read in line with the sequence of agenda items.

5) POWER COST CHARGE:

Departmental power costs from all power sources decreased since the last Power Cost Charge rate was determined. The Department proposes to decrease the Power Cost Charge from \$2.00 to \$1.90 per thousand gallons as a result of this decrease. Power cost charges over the past two years were as follows:

<u>Effective</u>	<u>PCC</u>
October 1, 2019	\$2.00
June 1, 2019	\$1.96
February 1, 2019	\$1.89
August 1, 2018	\$1.94
April 1, 2018	\$1.88
December 1, 2017	\$1.62

A Public Hearing will have been held prior to this Board meeting to accept public testimony on this change.

The Manager-Chief Engineer recommended that the Board approve the decrease of the Power Cost Charge from \$2.00 to \$1.90, effective February 1, 2020.

MOTION: Mr. De Luz moved for approval of the recommendation; seconded by Mr. Sugai.

Mr. Kern mentioned Mr. Doug Adams' testimony during the Public Hearing this morning and asked if the Board has discretion over the difference, such as saving the 10 cents.

The Manager-Chief Engineer replied that was a good question, and for the benefit of the new Water Board Members as well as to address some of the questions Mr. Adams had, this is a component of the water rates. Specifically this body took action several years back to segregate the portion of the water bill that goes to pay for power costs. A substantial amount of our operating expenses is to pay for HELCO (Hawai'i Electric Light Company) power and what happened at one point in time was the oil prices were escalating pretty rapidly. We did not have the ability to adjust our rates at that same kind of timeframe and found ourselves in a hole in the order of several million dollars one fiscal year because we could not make that adjustment. What was decided at the time was to do this evaluation and make it reviewable every two months so we could follow the rise and ebb of the utilities cost. Basically that cost to run our operations is passed along to our customers. As shown in the table, it does go up and down. We are always in a two-month lag behind HELCO but it is much better than a whole fiscal year. Going back to the question on whether or not this has any adverse impacts for our ability to operate our business to maintain infrastructure, the bottom line answer is no because that is built into another portion of our rates. There are base rates for consumption and then there is the power cost charge.

Mr. Kern asked if we have the ability to use that 10 cents, or the split, for something else.

The Manager-Chief Engineer replied we do not. It is specifically calculated and is a rather simple calculation of how much the Department pays HELCO for our pumping costs. Unless there is another change made by this body, that is where we are at right now. We do have another energy CIP component that was set up by the Board to create a funding source for energy CIP projects because what happened was with this tracking of the power cost, there was no incentive or means for us to set aside money to do capital improvement projects or other types of projects that would help us be more energy efficient. Basically, we are just following the times so if our utility costs go down, we pass that on to our customers. There is no way to recapture some of that for further improvements to reduce our energy needs.

Mr. Kern asked what would have to be changed so we could use that split.

The Manager-Chief Engineer replied that because it is a rate, it has to go through the rate setting requirements per Hawai'i Revised Statutes (HRS).

Ms. Mellon-Lacey added that it would have to go to public hearing.

Mr. Kern stated that for him, in concept, say the water bill is \$50.00, we are used to paying that \$50.00. If we save the difference of say 10 cents or 10%, it would be awesome if we could use that for something else. If there was a big swing in a different direction, for us to be able to make those adjustments, it would be worthwhile exploring so we can get as much as we can. For most people, once your bill is set at a certain amount, they are okay with it. It would either be an impact of someone saving a dollar on their bill versus the Department collecting thousands of dollars for infrastructure. He would be curious for us to have that discussion in the future to do more, whether it be through more energy efficiency or increasing leak detection, etc., and have the funds to do it.

Mr. De Luz asked if this would be a change within our Rules and Regulations or if it was a policy.

The Manager-Chief Engineer replied that it is a policy.

Mr. De Luz asked if there is any regulation for that under HRS.

The Manager-Chief Engineer replied that there was none that he knew of. If this body wants to have that discussion, it can be placed on an agenda and the Board could ask for information they need, through the Secretary, to have a proper discussion; and prior to that meeting, the information could be assembled and disseminated to everybody.

Chairperson Boswell noted that we already have the means by which to do capital improvement projects for energy so what this is about is keeping the savings, which would remove the transparency of us tying it directly to the HELCO charge.

Mr. Kern stated that is where it gets tricky.

Chairperson Boswell's thinking was that there already is a method for introducing capital improvement projects, and the Board has been taking the Engineering and Administration recommendations on capital improvement projects.

Mr. Kern agreed but also thought there is a massive need for more infrastructure and more water. Everyone is doing a really good job keeping up; but at the end of the day, if we had more money, we would be able to do more.

Chairperson Boswell also noted that our larger scale capital improvement projects are typically done with monies borrowed through loans that are fashioned for that purpose. If we wanted the money for a project, we could look for funding with a federal government share and move that forward.

Mr. Kern agreed but also added that CIP bonds are done based on the debt coverage ratios and if we had more income, we would be able to potentially borrow more.

The Manager-Chief Engineer stated that the way it is set up now is probably the cleaner way to do it, and the power cost charge is very specific and goes toward paying for power costs. If a need is identified for changing operations or more CIP, then the base rate is really what is set aside for that. He added that the Department is in the process of doing an overall Master Plan Needs Assessment and Water Rate Study; and if the Board wished to have that discussion, it can be agendized.

Mr. Kern suggested scheduling it for one of the meetings where the agenda is not too full.

Ms. Mellon-Lacey stated that as she understood it, this was kind of operationalized because of escalating costs and that the Department was not able to cover them. This gives the flexibility to go in both directions, and you probably would not want to lose that.

Mr. Kern agreed that we would not want unintended consequences.

Chairperson Boswell felt that you would probably find public favor in it when they see this fee go down as well as raised, based on the fuel costs. He agreed that it should be placed on an agenda for another meeting and the Board given a presentation, because even he has not gotten into this very far and he would like to hear more on the capital improvements side.

Mr. Sumada stated that the Department is in the middle of a 5-year water rate study which addresses what the Board is talking about here.

Chairperson Boswell asked what would be the best setting to present that to the Board or if it would be presented when it was completed.

The Manager-Chief Engineer stated that it would probably be before it is completed. There is a consultant on board for this study; and she could be scheduled to make a presentation. It is not in her scope so it would probably cost more money, but he would see if it can be arranged. It would be a very good educational piece. This rate study is done once every five years so probably no one on this Board was here the last time.

**ACTION:** Motion that the Board approve the decrease of the Power Cost Charge from \$2.00 to \$1.90, effective February 1, 2020, was carried unanimously by voice vote.

6) SOUTH HILO:

A. **JOB NO. 2018-1099, PANA'EWA WELLS B & C REPAIR – REQUEST FOR TIME EXTENSION:**

The contractor, Beylik Drilling & Pump Service, Inc., is requesting a contract time extension of 90 calendar days. The manufacturer has encountered challenges with furnishing pumps that meet the requirements of the contract specifications and have exhausted their options for corrective work without success. These delays were beyond the control of the contractor.

*Note: There are no additional costs associated with this time extension.*

1<sup>st</sup> time extension – 92 calendar days

2<sup>nd</sup> time extension – 90 calendar days

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 90 calendar days to Beylik Drilling & Pump Service, Inc., for JOB NO. 2018-1099, PANA'EWA WELLS B & C REPAIR. If approved, the contract completion date will be revised from February 15, 2020, to May 15, 2020.

MOTION: Mr. Scicchitano moved for approval of the recommendation; seconded by Mr. Kern.

The Manager-Chief Engineer recapped that the pump manufacturer is not able to meet the specified minimum efficiency. It is out of the contractor's hands. To give some background, before staff created the specifications, they had discussions with pump manufacturers to see what their equipment was capable of. Information provided to staff was that an efficiency of 86.2 was doable. Out of abundance of caution, staff de-rated it to 84 in the specifications-- more than two points. It would give some flexibility and still maintain a high level of efficiency for power costs. It is surprising, now, that the pump manufacturer cannot meet the efficiency. From discussions with other pump manufacturers, nobody can meet that specification; but from past history, the Department has had pumps that could meet that specification. Staff was smart enough to include provisions in the contract that if the specification could not be met, the Department needs to be compensated by the difference in power costs over a 25-year lifespan and 20-hour-a-day run time. It was agreed to by those who bid this project. At this point, the Department is recommending 90 days to give them additional time to see if the pump manufacturer can bring the efficiency up to where they claimed it could be to at least to meet the specifications. They are close at 83.2.

Chairperson Boswell asked if that was an improvement over a previous rating.

Mr. Takamoto replied it was previously 81.

The Manager-Chief Engineer recapped that the request is to grant more time to allow the contractor to work it out with their supplier to meet the project specification. If it is not doable, then the Department would need to go back and talk with the contractor. From the Department's position, it does not feel like it put out an unreasonable contract document. There are provisions in the contract for what the remedy is if the efficiency is not being met.

Mr. De Luz spoke from his own experience where there was a situation with a performance clause. Because of the lack of performance, they were put on notice; and because of that, they

had to litigate. He suggested if the performance clause has a contract date, to put them on notice that by a certain date, it triggers if they cannot perform. It is unfortunate when you have parties that seem to be collaborative and then when it comes to the dollars and cents, the environment of cooperation totally changes.

The Manager-Chief Engineer noted that he would have staff work with Corporation Counsel.

Mr. Ney asked if this a lack of the contractor doing their homework on knowing the performance curves and the specifications on these pumps and saying they can deliver something without really doing their research.

The Manager-Chief Engineer replied that before the Department puts out a bid, it wants to make sure that what is specified is buildable or doable. Staff did communicate with some manufacturers to make sure it was not specifying something that was not doable. The Department does not have control over what dialog the contractor has with any manufacturer or what due diligence they might have done. At this point, he felt that the contractor is trying their best to work with the manufacturer to meet the bid specifications.

Mr. Domingo stated that this efficiency seems like a moving target. It is 84 and then they stop at 83. His thought on that is whether this is a really hard requirement and whether the Department maybe could be more flexible because there are a number of factors involved. He wondered why we are setting so much on 84. Maybe there should be a plus or minus in error or something like that. The 84/83 is very small and then they come back and say they need 90 days to get to the 84.

The Manager-Chief Engineer stated that staff already de-rates it before bidding it out. Staff checks with the catalog or with the manufacturer. They are asked what their guarantee is for efficiency and it is still de-rated by two points to come up with 84. They can come in with higher, but they cannot come in with less. Staff did an evaluation based on what is in the contract specifications for 20 hours a day pumping for a 25-year lifespan; and at the amount it is being pumped, it is \$94,000.00 that they are supposed to provide by that .9 percent efficiency factor. If they want to provide an 83% efficient pump, the bid says they can do that, but that \$94,000.00 must be given on top of that.

Mr. Ney commented that it does translate to dollars and cents.

The Manager-Chief Engineer stated that was correct. It translates into additional power costs the Department has to pay and then charge its customers for.

Mr. Kern noted that the \$94,000.00 would actually be closer to \$200,000.00 by 20 years down the road.

The Manager-Chief Engineer agreed. This is based on a 35-cent per kilowatt hour. It is something the Board can consider; but administratively, the Department needs to stick by the bid documents.

Mr. Domingo reiterated that he just has a problem with the 84 and then 83 and then 90 days of time extension.

The Manager-Chief Engineer stated that the Department also has a problem with the 90 days but is trying to give them the benefit of the doubt.

Mr. Takamoto noted that the cost is \$97,000.00 per pump and there are two pumps for this project.

Chairperson Boswell thought that was a pretty big penalty for engaging in a bid.

Mr. Sugai wondered why the manufacturer would come up with 86.2, whether it originally came from pumps they had already made, and then have a discrepancy between that and what they actually could do.

Mr. Takamoto replied that they typically get their numbers from their catalog curves and then previous tests they did with that particular model of pump.

Mr. De Luz suggested the possibility of the bidder being required to post a performance bond for the delta, or a minimum level, and if they cannot perform, it would automatically trigger. When you have a potential penalty clause, the manufacturer may be more judicious in bidding. The sad reality is if there is no penalty or you are not holding their money for the delays, at some point in time, you may need to have it.

The Manager-Chief Engineer noted that the Department puts out the bid because it needs that well up and running.

Mr. De Luz understood that, but because of the specialty nature of these jobs, a lot of times, you are going in uncharted territory with equipment and so forth, but that does not mean you have to have a financial disbenefit.

The Manager-Chief Engineer stated it was a good idea to be explored.

Chairperson Boswell commented that, at the same time, you have to be a desirable entity to work with and not have handcuffs and penalties associated with it.

Mr. De Luz agreed that is the absolute last thing you want to do.

The Manager-Chief Engineer commented that it is always the balance, especially with the limited pool of contractors.

Mr. Kern stated that there are challenges with contractors, but there seem to be more issues with manufacturing, and the list is long.

The Manager-Chief Engineer agreed that, here in the Pacific, the local contractors are in a bind and at the mercy of the manufacturers. The Department works with the contractors in these time extension requests and tries to work in a balance. On the other hand, there is a strong need to have this well up and running. The next step here is to talk with the contractor and see if some effort can be made so it does not go into litigation.

ACTION: Motion was carried unanimously by voice vote, with Mr. Domingo noting his aye was with reservation.

**B. JOB NO. 2012-983, KA‘IE‘IE MAUKA FACILITY IMPROVEMENTS – REQUEST FOR TIME EXTENSION:**

The contractor, Isemoto Contracting Co., Ltd., is requesting a contract time extension of 52 calendar days. This time extension request will allow the contractor to complete the project after experiencing rain-out days and a design change to the access roadway. The delays were beyond the control of the contractor.

Staff reviewed the request for the contract time extension and finds the 52 calendar days justified. *Note: There are no additional costs associated with this time extension.*

1<sup>st</sup> time extension – 56 calendar days (Due to issuance of building permit)

2<sup>nd</sup> time extension – 52 calendar days

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 52 calendar days to Isemoto Contracting Co., Ltd., for JOB NO. 2012-983, KA‘IE‘IE MAUKA FACILITY IMPROVEMENTS. If approved, the contract completion date will be extended from February 7, 2020, to March 30, 2020.

ACTION: Mr. Kern moved for approval of the recommendation; seconded by Mr. Sugai and carried unanimously by voice vote.

7) SOUTH KOHALA:

**A. JOB NO. 2011-970, WAIKOLOA RESERVOIR NO. 1 EARTHQUAKE REPAIRS - REQUEST FOR TIME EXTENSION:**

The contractor, Henry’s Equipment Rental & Sales, Inc., is requesting a contract time extension of 60 calendar days to allow for the DLNR Dam Safety Program to complete its review and approval of the design modifications of the Reservoir repairs and improvements, for the DWS to analyze and to approve construction cost estimates associated with the design modifications, and for the DWS to review and approve a revised construction schedule to accurately reflect the time necessary to complete the modified scope of work.

At its December 17, 2019, meeting, the Water Board approved a 30-calendar day extension to the original January 5, 2020, contract completion date to allow for the aforementioned tasks to be completed. *Note: There are no additional costs associated with this time extension.*

Staff has reviewed the request for the contract time extension and finds the 60 calendar days justified. This is the contractor’s second time extension request.

1<sup>st</sup> time extension - 30 calendar days.

2<sup>nd</sup> time extension - 60 calendar days.

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 60 calendar days to Henry’s Equipment Rental & Sales, Inc., for JOB NO. 2011-970, WAIKOLOA RESERVOIR NO. 1 EARTHQUAKE REPAIRS. If approved, the contract completion date will be revised from February 4, 2020, to April 4, 2020.

MOTION: Mr. Scicchitano moved for approval of the recommendation; seconded by Mr. Domingo.

The Manager-Chief Engineer gave some background on this project. This is one of the Department's 50-million gallon reservoirs above Waimea town. They are classified as a dam under the Department of Land and Natural Resources, Dam Safety Division. This reservoir was damaged in 2006 from the Kiholo Bay earthquake. There have been delays and design changes in the project to repair this reservoir. Last month, the 30-day time extension request was brought before the Board because the contract completion date was coming up. The project is still in the same situation.

Mr. Inaba added that some additional information came in from the contractor, and it looks like the Department and the contractor may not reach an agreement on the request anytime soon. For example, they submitted cost proposals for the panel replacements that had to be revised. He showed a comparison of the engineer's estimates and the contractor's submittals. The Department does not agree with their schedule or their cost proposal. The other thing to consider is what the changes are amounting to. It is not something that could be deemed fair and reasonable, which is actually a requirement to execute a change order. At that point, our option would be to cancel this contract and re-bid it.

The Manager-Chief Engineer stated that Hawai'i Revised Statutes require that a change order in excess of \$100,000.00 be evaluated to see if it is fair and reasonable. As of now, it is very far from being considered fair and reasonable.

Mr. Inaba stated that the Department had its construction manager do an independent estimate and they have been reviewing the contractor's proposed schedule. Their estimate was very close to the engineer's estimate. The original contract cost was roughly \$7 million and they are proposing nearly \$1 million in a change order.

The Manager-Chief Engineer recapped that if the parties do not come to an agreement, there are provisions in the contract for termination.

Chairperson Boswell asked if the contractor had mobilized their equipment yet.

Mr. Inaba replied that they did. This is the contract that the Department suspended, and the contractor had to demobilize.

Chairperson Boswell asked if any work had been done.

Mr. Inaba replied that they did some preliminary work and additional changes were found that are included in their report.

Chairperson Boswell asked if any progress payments had been made.

The Manager-Chief Engineer replied that they have been paid for work done. If the contract were to be cancelled, they would be paid for materials they may have purchased, as long as the Department has possession of them.

Chairperson Boswell stated that with some Federal contracts in the past, the contractor may typically go after anticipated earnings.

Mr. Inaba stated that is always their option, but through the Department's general requirements or the contract, there is a clause for termination for convenience for both sides where both parties can agree that they cannot move forward and can walk away.

The Manager-Chief Engineer added that the Department is not going to try and make them do work that they will lose money on, but in these types of complicated projects, there are line items with unit prices, such as lineal feet of pipe, in which they set prices for. If they add 100 feet of pipe, they would be required to use the unit price they submitted in the contract. That is part of the evaluation.

Mr. Ney asked if the Department has a progressive schedule of values for completion of different segments or phases.

Mr. Inaba replied there is and the Department worked with them to establish that. They still have not submitted a satisfactory one for the entire project.

Mr. Ney stated that he is familiar with the reservoir because he has been up to the nature reserve, and these are all structural repair issues. He asked if there were variables and unknowns they are nervous about what the cost might be.

Mr. Inaba replied that they have exposed a lot of that already and they are being addressed in the proposed design changes. There was the changed condition of the panels based on the time it took to get the approvals between going out to design until being able to actually bid it out.

The Manager-Chief Engineer added that the panels Mr. Inaba referred to are a little bit unusual as far as earthen dams. In its original construction, this reservoir was constructed basically like a small lake with reinforced concrete panels as a liner. Without water in it, there was ground shrinkage and the concrete panels started to buckle as a result. All of this occurred after the design was bid out. The topography looked different, thus the design and construction changes.

Mr. Ney asked if it had to do with contraction issues.

Chairperson Boswell replied that was correct. He stated that the Board will be standing by for updates on this project.

ACTION: Motion was carried unanimously by voice vote.

8) NORTH KONA:

A. **JOB NO. 2019-1116, HŌLUALOA DEEPWELL REPAIR – REQUEST FOR TIME EXTENSION:**

The contractor, Derrick's Well Drilling & Pump Services, LLC, is requesting a contract time extension of 121 calendar days. The pump manufacturer has notified the contractor that the lead time for the delivery of the well discharge elbow will exceed the project completion date. These delays were beyond the control of the contractor.

Staff reviewed the request for contract time extension and the accompanying supporting documentation and found that only 60 calendar days of the requested time can be considered justified. *Note: There are no additional costs associated with this time extension.*

1<sup>st</sup> time extension – 60 calendar days

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 60 calendar days to Derrick's Well Drilling & Pump Services, LLC, for JOB NO. 2019-1116, HÖLUALOA DEEPWELL REPAIR. If approved, the contract completion date will be revised from January 31, 2020, to March 31, 2020.

MOTION: Mr. Scicchitano moved for approval of the recommendation; seconded by Mr. Ney.

The Manager-Chief Engineer noted that this one is a manufacturing issue.

Chairperson Boswell recalled discussion on the discharge elbow in a different project.

The Manager-Chief Engineer replied that there were similar issues on the project that the Chairperson recalled. There were no further questions.

ACTION: Motion was carried unanimously by voice vote.

**B. JOB NO. 2018-1098, PALANI DEEPWELL A REPAIR – REQUEST FOR TIME EXTENSION:**

The contractor, Derrick's Well Drilling & Pump Services, LLC, requested to address the Water Board to appeal the Department of Water Supply's decision to deny their request for contract time extension submitted on December 17, 2019.

The Manager-Chief Engineer suggested that the Department start and then Ms. Vicky Denis-Silva could share what she had for the Board. He stated that all time extensions are reviewed by staff before being brought to the Board. For this one, the Department had the administrative ability to deny the time extension because it is still maintaining the contract scope. When we change the project by extending the contract completion date, that is when we come before the Board to ask for approval. The Board would not have seen the denials for the most part. In this particular one, their request was denied. The basis of the denial was that a time extension was approved previously for some other reasons. This last one was denied because the shroud, which was part of the previous approved time extension, came in at the end of November 2019 and the contractor did not mobilize until the end of December. There is that 30 days where the Department said no work was done so it would not grant extra time. There is no recommendation from the Department today; but after the discussion, if the Board hears enough from the contractor's side to direct staff to make a future agenda item, that can be done. He asked Ms. Vicky Denis-Silva to come forward.

Ms. Vicky Denis-Silva, Office Administrator, Derrick's Well Drilling & Pump Services, LLC (Derrick's), provided the Board with some hand-outs.

Ms. Denis-Silva stated that according to the letter they received from the Department of Water Supply, they understand that the denial was based on the fact that the supporting documents for a previous request for time extension were the same documents that they had presented.

However, she wanted to point out that the previous request for time extension was filed prior to, or premature to, when the actual materials had arrived. When they had written that time extension request, they were basing it on what their manufacturers were telling them and the dates they were given and that they would be able to work with that. It ended up being three weeks beyond those dates and that was why she used the same supporting documents. However, this time it shows when the shroud actually arrived they included a letter from their manufacturer stating that the error was on their part and that they had initially told Derrick's it would be seven days whereas it turned out to be twenty-one. Following that, there were delays with the freight. She added that maybe they could have handled it differently, although she was not sure what they could have done. This is the first time she ever had to deal with anything like this. To the best of her ability, she had exhausted telephone calls and emails and had spoken with the Department of Water Supply as well as their manufacturers trying to get everybody to be on the same page and work with what they had, asking to be kept updated but instead getting silence from them. She added that this is not the only job they have, and it takes a lot to keep a business going and having numerous jobs. It is like a domino effect so everything gets pushed back. That was their sole reason why they were not able to mobilize onto the Palani Well site until December 30, 2019.

Chairperson Boswell asked if it was because of the work load they had at the time while they were having the delay issues.

Ms. Denis-Silva replied that the delay issues pushed them back. They were supposed to receive the materials by November 17<sup>th</sup> and they actually arrived on the 27<sup>th</sup>. Two days later, on November 29<sup>th</sup>, they allowed it to be picked up. That was on the November 29<sup>th</sup> and Derrick's already had a previous commitment and was not even going to be on the island from after first week of December.

Chairperson Boswell asked if Engineering has been able to review this additional backup being provided today; and if so, if it had changed the Department's recommendation at all.

The Manager-Chief Engineer replied it had reviewed this, and it did not change the recommendation. He added that Derrick's has been really good about following up with the manufacturers and the Department understands the numerous jobs they are on; but at the same time, we need to look out for our side. Denying requests is not something we like to do, but at the same time, we try to be good managers and if, from our perspective, it does not seem justifiable, then we have to treat it based on the information we have. They have been very good about trying to provide as much information as possible. It was just that gap where we could not say we could cut them a break.

Chairperson asked if the well is operating.

The Manager-Chief Engineer replied it is not, and that was another story.

Ms. Denis-Silva stated that when they were granted the ten days from the last request for time extension, there were 33 justifiable days and they had only asked for ten. What they were mainly asking for today was the 23 additional days that they had taken from the 33 that were stated as justifiable. They were granted ten of those days because that is all they had requested.

Mr. Kern stated that what he was hearing was that Derrick's was on another job and it was basically around the first week of December that something could have happened. The

Department was having a hard time with the 30 days between when the actual shroud came in to when Derrick's did the work. He asked if they were on another job for all of December.

Ms. Denis-Silva replied that they had numerous jobs and every day is different. Their guys are on different islands every week.

Mr. Kern thought there was a need to understand better where the 30 days went or why the work could not have happened within that 30 days, or within two weeks, or the beginning of the second week of December.

Chairperson Boswell said his understanding was that the equipment (the drilling rig) and the crew were unavailable.

Ms. Denis-Silva replied that they did get their drill rig back on the island because they needed it to do the installation, and it arrived here towards the end of the second week of December. However, by that time, she believed they were on two other Department of Water Supply jobs; and Mr. Moreira felt that the scope of work for those would to just complete that and get it out of the way and then go back to focus on a much bigger issue.

Ms. Howard noted that it was now like a two-week delay, possibly.

Ms. Denis-Silva replied yes.

Mr. Ney stated that he is a contractor and understands it is very easy to overextend your commitments and your company. In that position, sometimes it takes a little bit of humility to communicate with the Department that they were inundated with jobs and, unfortunately, this caused a scheduling conflict with other ongoing projects. It might have been a better way to approach the issue without letting time go by and then 30 days have passed. Maybe there could have been something they could have done to intervene a little bit more.

Ms. Denis-Silva stated that she kept in contact with Department of Water Supply with whatever updates she could get. It was not just silence during the 30 days. She works for Derrick's Well Drilling but does not make the decisions, and does the best she can with those decisions. However, she would not just sit here and try to say they did not have any fault because there is a part that everyone played in, speaking on behalf of the company.

Mr. De Luz asked if he could concentrate on the end game and that is what it is going to take to get it resolved. What he suggested for consideration for the Board is highly unusual in regard to the amount of work Derrick's does for the Department. Perhaps the circumstances Derrick's was in is kind of like a perfect storm and a domino effect. He asked if it would be possible to speak to Mr. Moreira one on one and try to get some perspective. He thought the circumstances are highly unusual for this contractor. Perhaps having that conversation with them and seeing if there is anything that can be uncovered may shed more light on it and get the well operational.

The Manager-Chief Engineer stated that staff and Derrick's have a fairly good communication flow; but at the same time, his task for staff is to manage our projects. When a project is put out to bid, this is our rate payers' money. The project has three essential parts: scope, schedule, and budget. That is what the end price is based on. You make a change in any of those three things, you affect the bottom line. You make a change to any of those three things,

the Department needs to come to this Board to ask permission to make changes to any of those three parts. We can deny anything that does not meet that administratively. We cannot negotiate and extend beyond that. He would have a hard time telling staff, okay, you can do some okays on this part and not on this part. He did not think we legally have the ability to do that, and that is why we are here. Staff did their review and assessment and based on the information provided, this was not justified for additional time. He could ask staff to look at it again closer and double check, based on what Ms. Denis-Silva provided today. If we find some to be justifiable, we can make adjustments. But at the same time, then we need to come back to the Board and say we recommend "X" based on this latest information and then seek this body's approval for it.

(Mr. De Luz left the meeting at 11:00 a.m.)

Chairperson Boswell asked what the penalties are for what is being discussed.

The Manager-Chief Engineer replied if they are not granted a time extension, liquidated damages would be assessed at \$150.00 per day.

Mr. Domingo stated that Palani Well is one of the issues; and there are a lot of issues with the schedule sliding, and it seems like we are not putting priority on it. It should be at the top of our priority to get the problems mitigated.

Chairperson Boswell recounted that Palani Deepwell A has been down for a period of time, and the Department is operating at capacity right now and is not missing the supply of water as a result. This is a developer-designed product that has had a long-term run through. It has been upgraded, and it has been agreed several times before that this needs to be done right. At this point, if that contract is not finished, then he thought the Board should defer any final decision on the days until they see the total performance of the contract. He could not see that you would levy a penalty within a portion of the contract. Obviously, there is more and we might be listening to time extensions for other things that are going on. He did not think we know the full picture. He appreciated Ms. Denis-Silva coming in today and thought it should be considered when they got the equipment on-island available as a starting point for the delay, versus a scheduled date. If that is two weeks, then it is two weeks, and that is only a part of it. Really, it is at the end of the game. Was the contract successful, did we get the well up and running? We had extra problems, but we have had problems all the way through. He offered that for consideration.

The Manager-Chief Engineer stated that if they are not done with the project, the liquidated damages continue to accrue. This would just relieve a portion of it, if they have not met the terms of completing the rest of the contract. He was not saying that is the case here.

Chairperson Boswell suggested this be revisited and staff can have more time to review. He did not think the Board needed to talk directly to Mr. Moreira. They communicate very well back and forth. The Board has been watching this for the last three years, and there has been a lot of communication. He suggested leaving it for now and see if some progress can come out of it during the next month.

Mr. Ney asked what kind of workload Derrick's does for the Department every year.

Chairperson Boswell replied over half.

The Manager-Chief Engineer added that for all of the Department's well repairs, there are only two contractors bidding on them--either Derrick's Well Drilling or Beylik Well Drilling. That is the challenge too. The Department is not in their business and does not know how many crews are needed to run a job or what other jobs they have. However, when a job is put out, we want it done by a certain amount of time.

Mr. Kern agreed with Chairperson Boswell that we should look at this on a holistic approach. He asked a question about the Timeline of Events Palani Deepwell "A" Repair 2018-1098 where it states, "Shroud Ready to Ship/Dispatch Freight Forwarder 11/8/19 - actual ship date 11/19; shroud arrives 11/27." He wondered if Derrick's was able to target the actual delivery date.

Ms. Denis-Silva replied they can because they have a tracking system, and she had a copy of it. When it says, "shroud ready to ship/dispatch freight forwarder," that was for a change order for the shroud on this job; and their pipe manufacturer contacted them and said the pipe was ready to ship on the 8<sup>th</sup>. They authorized the freight forwarder to go ahead to pick it up and ship it. She added that you can see from this that it did not ship it until the 19<sup>th</sup>. They picked it up but hung onto it for a while; and Derrick's is still going back and forth with them right now on that.

Chairperson Boswell noted that this would have been during the holidays; not good timing to have a problem.

Mr. Kern asked how much advance notice they had that it would show up on the 27<sup>th</sup>.

Ms. Denis-Silva replied that she believed she had contacted them on November 20<sup>th</sup> to follow up because she had not even been provided with a Bill of Lading or a tracking number. There was complete silence from November 8<sup>th</sup>, when they picked it up, and there were just a bunch of apologies. When she finally got the tracking number and it said between the November 27<sup>th</sup> and December 2<sup>nd</sup>, she contacted the Department of Water Supply.

Mr. Kern stated that he was trying to find the middle ground here. As a licensed general contractor himself, he knew it is hard when you are waiting for something and when it does arrive, it is like, "Hey, jump, go--get everybody out there tomorrow." That was his reason for trying to figure out how much time they had. He felt that the dispute is within that 30 days and asked that when they come back with their request, a more holistic approach to that would give the Board a better understanding of what happened during those days and would help the Board make a much better decision. He thought it is unrealistic to have something come in for the contractor to jump in there tomorrow when they are actually doing various projects. However, 30 days is kind of a lot too, and the holidays are also in there. If the Board could understand that better, it would help in making a better decision.

Ms. Denis-Silva thanked the Board for this opportunity today.

Chairperson Boswell commented that the Board ended up with an awful lot of paper on their desks today and anything that was not in his "package" when he showed up today is all new, so there has been no review time. It did seem a little overwhelming and there was really no time to evaluate, but that is just the way it turned out.

The Manager-Chief Engineer apologized and noted the Department would definitely try to avoid that in the future.

(Ms. Denis-Silva left the meeting at 11:10 a.m.)

**C. JOB NO. 2013-989, KAHALU‘U SHAFT INCLINED LIFT REPLACEMENT - REQUEST FOR TIME EXTENSION:**

The contractor, Jas. W. Glover, Inc., is requesting a contract time extension of 117 calendar days. During the testing of the new cart, the gear box failed; and additional time was needed to repair the gear box, retest, and then ship. After the cart was delivered, the counter-weight on the existing cart got stuck and needed repairs to the wheels. It was also discovered that a short portion of the track will need to be repaired (treated) to add shims, remove rust flakes, and coat with a corrosion inhibitor. This would be the third time extension to the contract.

Ext. #	From (Date)	To (Date)	Days (Calendar)	Reason
1	01/19/2019	04/20/2019	90	Repair existing tracks for cart.
2	04/20/2019	01/28/2020	283	Cost to repair the existing tracks under this contract is not feasible. Manufacturer to build test stand to ensure safe operation of the cart on existing tracks.
3	01/28/2020	05/24/2020	117	Gear box failure and repair delayed the delivery of the cart. Repair to counter-weight required as well as treat a bad section of the track.
Total Days (including this request)			490	

Staff has reviewed the request for the contract time extension and finds the 117 calendar days justified.

The Manager-Chief Engineer recommended that the Board grant this extension of contract time of 117 calendar days, to Jas W. Glover, Ltd., for JOB NO. 2013-898, KAHALU‘U SHAFT INCLINED LIFT REPLACEMENT. If approved, the contract completion date will be revised from January 28, 2020, to May 24, 2020.

MOTION: Mr. Sugai moved for approval of the recommendation; seconded by Mr. Kern.

The Manager-Chief Engineer stated that this is a continuation of the presentation made last month from Jas. W. Glover, Ltd.

Mr. Inaba reported that the initial request for 283 days was in anticipation of the cart arriving in September 2019, but it was delivered at the end of November. During their work at the beginning of December, the contractor found that the counter-weight was stuck near the bottom, and they had to go down and retrieve the cart. The existing maintenance contractor’s proposal would have taken too long, so the Department had the contractor do the work. It was a change in their proposal and they provided a report on their findings. The wheels at the top of the cart were not damaged; however, the bottom ones were. They discovered the condition of the track to be severely corroded and shims were missing along the edge. They will repair that

short section of the track to allow the new cart to roll on it without wear and tear. This work took about eight days to complete and pushed their schedule back because work could not continue until those issues were addressed. There are costs associated with these work items.

Chairperson Boswell noted that it is not a 50-year fix.

Mr. Inaba replied that was correct. In the contractor's proposal, it states that their understanding was that the Department is still looking at replacing this track in the relatively near future.

Mr. Domingo commented that this is one of the systems where you build the equipment, test it, and then you find out the problem, fix it again, and it may lead to more problems. That is the way it goes sometimes.

Chairperson Boswell added that if we had our choice of projects to develop, we probably would not have developed this project.

Mr. Inaba noted that, unfortunately, the Department still needs this in its water system.

Mr. Domingo asked if there are any guaranteed components once this becomes part of the system.

Mr. Inaba replied that there will be a two-year warranty on the cart and there is a maintenance clause within the contract for two years.

Chairperson Boswell asked if there are any other rusted portions of the track.

Mr. Inaba replied that they took a look at the rest of the track and it is nothing like this section where it is tearing up the wheels.

ACTION: Motion was carried unanimously by voice vote.

9) MISCELLANEOUS:

A. DEDICATION OF WATER SYSTEMS:

Chairperson Boswell turned it over to Vice-Chairperson Scicchitano for this agenda item as he is involved with No. 4 in this list.

Vice-Chairperson Scicchitano reviewed that 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: County of Hawai'i  
Mohouli Heights Senior Neighborhood, Phase 3  
Tax Map Key: (3) 2-4-001:184 (portion) Lot 3-B1-BA
2. Bill of Sale  
Transferor: Mohouli Senior Phase 3-92 LLLP

Mohouli Heights Senior Neighborhood, Phase 3  
Tax Map Key: (3) 2-4-001:184 (portion) Lot 3-B1-BA  
Facilities Charge: \$388,600.00, Date Paid: 2/1/2019 and 3/6/2019  
Final Inspection Date: January 15, 2020  
Water System Cost: \$113,000.00

3. Grant of Easement  
(Water Meter)  
Grantor: HA‘AWAI LLC  
Tax Map Key: (3) 2-2-050:014 (portion)
  
4. Grant of Easement and Bill of Sale  
Grantor: Kohanaiki Shores LLC  
Subdivision No. 2018-1817  
Tax Map Key: (3) 7-3-066:003 to 005, inclusive, 007 to 021, inclusive  
Facilities Charge: N/A Date Paid: N/A  
Final Inspection Date: 1/10/2020  
Water System Cost: \$266,330.00

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.

Ms. Mellon-Lacey asked if she was correct in understanding that Chairperson Boswell has a conflict with all of the items or just one.

Chairperson Boswell noted that it was just with Item No. 4.

Ms. Mellon-Lacey stated that he could entertain a Motion to divide it into two separate votes with the Chairperson not voting on No. 4 but able to vote on Nos. 1, 2, and 3.

MOTION: Mr. Kern moved to bifurcate the question to 1, 2, 3, and 4; seconded by Mr. Sugai.

Discussion: Ms. Howard asked if the motion was to bifurcate Nos. 1, 2, and 3 *from* 4.

Chairperson Boswell indicated that Item No. 4 would be separated from the rest and that he would be recused from voting on that item. There being no further discussion, Vice-Chairperson Scicchitano called for the vote on bifurcation.

ACTION: Motion to bifurcate the question was carried unanimously by voice vote.

Chairperson Boswell called for a Motion to vote on Items 1, 2, and 3.

MOTION: Mr. Kern moved to concur with staff’s recommendation on Items 1, 2, and 3; seconded by Mr. Sugai.

Discussion: Ms. Howard asked what the difference was between the facilities charge and the water system cost.

Mr. Inaba replied that the facilities charge (FC) is basically the cost for the Department to collect from the developer to allow the developer to connect to the system and have so many units of water assigned to their property. The water system cost incurred by the developer is the actual construction cost associated with installing the infrastructure to the property.

Mr. Domingo asked if these are new development projects and they would just connect their water systems into the Department of Water Supply; that way they can get water.

Mr. Inaba replied that was correct. The FC is for the Department to continue to operate, maintain, and upgrade its infrastructure.

The Manager-Chief Engineer provided a quick education for everybody on the FC. It is basically if there is excess water capacity in the system, the developer does not have to install a well, a tank, and pipelines. That is already built but the Department paid for it somewhere in the past. This is a way for the Department to assess costs to a new user new coming onto the system to help offset the costs that were previously paid for. The actual cost of constructing the water system is what the contractor charged the developer to install. It may be a meter box or some waterlines specifically to get the water to this project.

Chairperson Boswell asked if that is used as a valuation of the Department's existing infrastructure.

Mr. Inaba replied that was correct (the water system cost).

The Manager-Chief Engineer stated that the FC amount will be a part of the water rate study. Most of what is done when it comes to billing is based on how much water is going to be utilized and measured through a meter. That is how fees are established.

Mr. Domingo mentioned that he had gotten a question from a mayoral candidate in his area and he mentioned the need to build housing developments and wanted to know who would build wells that would supply this new development. Mr. Domingo said he told the person it has to hook up to the Department of Water Supply, and apparently, he has been calling the Department asking the same questions.

Mr. Inaba stated that it depends on the system's existing capacity. If a housing development exceeds that, they would need to contribute to the systems' capacity in excess of just tying into the waterline in front of their property. They may need to participate in source development, or it may need to be storage, or even transmission.

Mr. Kern stated that the FC is basically for the water unit which is equivalent to 400 average gallons per day; and anytime there is, for example, ten of these, the FC would be times ten.

Mr. Ney stated asked if, in areas where you do not have extra capacity or water to spare because of sizing issues with the infrastructure, if there had been any situation where you have worked with developers to where if they wanted to put in some kind of reservoir capacity on their site, maybe the Department could supply the water to get the reservoir.

The Manager-Chief Engineer replied that the Department does have those types of negotiations with private entities from time to time.

Mr. Domingo asked if the Department is in no way obligated to build or develop wells for future development. Say there is a completed well and then someone wants to develop; it is there, so all the new development has to do is hook up with the existing well.

The Manager-Chief Engineer explained that this was going kind of beyond the agenda, but he covered that the Department of Water Supply is not a developer. It cannot project market value or where things are going to be developed. When the Department develops sources for its system, it is basically to improve redundancy and to add some capacity, but not capacity for a specific development. That would be crossing into controversial territory, and the Department could be accused of collusion. It is cautious to stay away from that. The Department's function is to service the community as a whole but primarily its customers to make sure they have an adequate and continuous supply of safe drinking water in a financially responsible manner.

ACTION: Motion to concur with staff's recommendation on **Items 1, 2, and 3** was carried unanimously by voice vote.

Chairperson Boswell stated that the second vote would be for Item No. 4, on which he would be abstaining.

MOTION: Mr. Kern moved to concur with staff's recommendation on Item No. 4; seconded by Mr. Sugai.

There was no discussion on Item No. 4.

ACTION: Motion to approve staff's recommendation on **Item No. 4** was carried by 6 ayes: Ms. Howard and Messrs. Domingo, Kern, Ney, Sugai, and Scicchitano; 1 abstention: Chairperson Boswell; and 2 absent: Mr. De Luz and Ms. Hugo.

**B. JOB NO. 2019-1111, TRANSFORMER MAINTENANCE AND UPGRADE:**

This project consists of furnishing all labor, materials, tools and equipment necessary to service the Department of Water Supply transformers. Work consists of performing inspection, electrical tests, infrared and ultrasonic surveying, laboratory testing of transformer oil, evaluate and document test results; upgrade work; perform maintenance work according to manufacturer's recommendations for a period not to exceed one year.

Bids for this project were opened on January 23, 2020, at 2:00 p.m., and the following are the bid results:

<b>Bidder</b>	<b>Bid Amount</b>
American Electric Company LLC	\$720,984.00
Core Utility LLC	\$146,650.00 *

\* Bid Amount was corrected.

Project Costs:

1) Low Bidder (Core Utility LLC)	\$146,650.00
2) Contingencies (10.0%)	\$14,665.00
<b>Total Cost:</b>	<b><u>\$161,315.00</u></b>

Funding for this project will be from DWS' CIP Budget under Agreements, Repair and Maintenance. The contractor will have 360 calendar days to complete this project. The Engineering estimate for this project was \$94,600.00.

Mitigation Measures:

This project will implement the mitigation measures of preventative maintenance.

RECOMMENDATION: It is recommended that the Board award the contract for JOB NO. 2019-1111, TRANSFORMER MAINTENANCE AND UPGRADE, to the lowest responsible bidder, Core Utility LLC, for their bid amount of \$146,650.00, plus \$14,665.00 for contingencies, for a total contract amount of \$161,315.00. 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. Sugai moved for approval of the recommendation; seconded by Mr. Scicchitano.

The Manager-Chief Engineer announced that although the Department would like to award this today, it was found out just prior to this meeting that the low bidder is still not compliant with State Procurement requirements; therefore, this needs to be deferred to a subsequent meeting. Part of the requirements is that they are compliant with the State Department of Taxation, the Internal Revenue Service, the Department of Labor, and the Department of Commerce and Consumer Affairs. They still need to get one of their components resolved. He asked that this item be deferred to next month's agenda.

ACTION TO DEFER: Mr. Kern moved to defer; seconded by Mr. Scicchitano and carried unanimously by voice vote.

**C. MATERIAL BID NO. 2019-11, FURNISHING AND DELIVERING SPARE PUMP AND MOTOR SETS FOR PI'IHONUA #3 WELL AND HAWAIIAN OCEAN VIEW ESTATES DEEPWELL, REFURBISHING PUMP AND MOTOR SET FOR PARKER #2 DEEPWELL, AND MISCELLANEOUS COLUMN ASSEMBLY MATERIALS FOR THE DEPARTMENT OF WATER SUPPLY:**

Bids were received and opened on January 23, 2020, at 2:30 p.m., and the following are the bid results:

SECTION	DESCRIPTION	Beylik Drilling and Pump Service, Inc.	Derrick's Well Drilling and Pump Services, LLC
1	PI'IHONUA #3 WELL	\$147,800.00	Bid Withdrawn
2	PARKER #2 DEEPWELL	\$184,000.00	No Bid
3	HAWAIIAN OCEAN VIEW ESTATES DEEPWELL	\$157,000.00	\$159,145.71
4	MISCELLANEOUS COLUMN ASSEMBLY MATERIALS	\$290,000.00	\$321,180.00

The estimated cost for the pump and motor set and refurbished motor, respectively, were as follows:

- Pi‘ihonua #3 Well: \$150,000
- Parker #2 Deepwell: \$165,000
- Hawaiian Ocean View Estates Deepwell: \$165,000
- Miscellaneous Column Assembly Materials: \$285,000

The Manager-Chief Engineer recommended that the Board award the contract for MATERIAL BID NO. 2019-11, FURNISHING AND DELIVERING SPARE DEEPWELL PUMP AND MOTOR SETS FOR PI‘IHONUA #3 WELL AND HAWAIIAN OCEAN VIEW ESTATES DEEPWELL, REFURBISHING PUMP AND MOTOR SET FOR PARKER #2 DEEPWELL, AND MISCELLANEOUS COLUMN ASSEMBLY MATERIALS FOR THE DEPARTMENT OF WATER SUPPLY, by Sections to the following bidders for the amounts shown above, and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract(s), subject to review as to form and legality of the contract(s) by Corporation Counsel.

**Section 1 – Pi‘ihonua #3 Well to Beylik Drilling & Pump Service, Inc.**

**Section 2 – Parker #2 Deepwell to Beylik Drilling & Pump Service, Inc.**

**Section 3 – Hawaiian Ocean View Estates Deepwell to Beylik Drilling & Pump Service, Inc.**

**Section 4 – Miscellaneous Column Assembly Materials to Beylik Drilling & Pump Service, Inc.**

MOTION: Mr. Kern moved for approval of the recommendation; seconded by Mr. Sugai.

Mr. Ney asked if the Department always pretty much takes the low bid or does it consider other factors such as performance issues or if one contractor has too much work.

The Manager-Chief Engineer replied it is required by law to go with the low bid; however, there are provisions in the Procurement Code to allow preferences that can be assessed for award purposes. With those preferences, their actual bid amount can be higher but is calculated lower for award. Other than that, the Department must take the lowest, responsible, responsive bidder.

Mr. Ney noticed that Section 3 bids were fairly close and thanked the Manager-Chief Engineer for that clarification.

Chairperson Boswell referred back to Item No. 9B where there was a large disparity in the numbers. To him, that is a non-responsible bid. He asked if the Department has the ability to back out in the event the low bidder defaults.

The Manager-Chief Engineer replied that in any bid, if the project costs come in way off, there is a provision not to accept that bid and there are other procurement means to follow after that.

Mr. Kern thanked the Department for doing an amazing job in the engineering estimate. It helps in making the decision to award, especially if there is only one bidder.

Chairperson Boswell stated that it also shows experience.

ACTION: Motion was carried unanimously by voice vote.

D. **MONTHLY PROGRESS REPORT:**

Mr. Inaba reviewed some updated items on the report:

Pāpa‘ikou Transite and G.I. Pipeline Replacement - anticipate advertising early in February. Hopefully today, State Highways approval on the plans will be received. That can be a lengthy process.

Chairperson Boswell asked if there is a considerable amount of transite pipe in our system that the Department is working its way out of.

The Manager-Chief Engineer replied that was correct. Transite pipe is considered a hazardous material once you dig it up. This is a substantial project utilizing a funding program through the U.S. Department of Agriculture and a sizeable portion is grant money.

Chairperson Boswell noted that this was part of what was discussed previously and these are major projects and to get them pulled off with funding from an outside group is very beneficial.

For the benefit of the two new Water Board Members, the Manager-Chief Engineer invited them to send him an email if they have any questions on specific projects.

Wai‘aha Water System Improvements - Transmission - Mr. Domingo noted that the report lists the project as 65% complete.

Mr. Inaba stated that it represents the progress payments that were submitted and paid for. It might be substantially beyond that now; more like 80%.

Chairperson Boswell noted that the contractor did a great job. They got the pipe in the ground, whether they had asphalt to patch it with or not, among other things in the project.

Nalani Street Water System Improvements - Mr. Kern noticed the report states that Council is proposing to cancel the Improvement District due to low participation in the income survey.

Mr. Inaba stated that was put there because it was an inquiry brought to our staff. Staff is responding to Council’s inquiries and requests. They have to go out to the community to make sure they will have the buy-in by more than 50%.

Mr. Kern stated it sounds like they have done it but are not getting the feedback.

Mr. Inaba replied they have and now they are looking at possibly going back out and taking another survey.

The Manager-Chief Engineer added that this is not the Department of Water Supply’s initiative, but is providing technical assistance.

Mr. Kern stated that he was just curious because there have been a lot of conversations about Improvement Districts around the island for various places that do not have County water, and just to see if they are getting feedback on whether people want it or not.

Mr. Inaba stated that this one is what is called “out-of-bounds.” The water system is not actually fronting the property so it would be to bring that system up to current standards.

Mr. Ney asked what the service life of a transite pipe would be and how old it is.

Ms. Hayducsko replied that most transite pipes in our system were installed between 1945 and 1960.

Arc Flash Study, Phase I (Power System Studies) - Mr. Domingo asked if the Board would be seeing the report this year.

The Manager-Chief Engineer added that when the report is finalized, it will be distributed to the Board; but essentially, it will recap what Brown and Caldwell covered in their presentation back in December.

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

Mr. Sumada reviewed some of handouts given today, which are for next month’s meeting. One is the Operating and Capital Budgets for Fiscal Year 2021. It will be on next month’s agenda for the Board to take action on setting up a public hearing for March. The other handout is the Auditor’s Report, and it will also be on the agenda next month. The Auditors will be present to make a presentation on the report for Fiscal Year 2019 and answer questions.

Chairperson Boswell asked if the five-year CIP program given today was public knowledge.

The Manager-Chief Engineer replied that it is not specifically advertised, but it is available upon request. He added that in prior years, the Department had come up with an annual CIP but it hindered the Department’s flexibility if another priority came up, the Department would have to come in for approval. This 5-year CIP is more transparent for everyone involved, and the first year CIP is something we try to have a better honing in on. The 5-year CIP gives staff the flexibility to move things around and still maintain within budget.

Chairperson Boswell asked if the assigned priorities change.

The Manager-Chief Engineer replied that sometimes opportunities come up where something else needs to be done. For example, if the Department gets Legislative funding. That is what moved the Lālāmilo 10-Million Gallon Reservoir up. There is a timeframe to use the funds or the appropriations lapse.

In response to Chairperson Boswell’s question of whether the Lālāmilo tank is expected to go out to bid this year, Mr. Inaba replied hopefully it will. It is in the planning stages.

Mr. Ney asked if the projects are prioritized based on how eminent an issue might be.

The Manager-Chief Engineer replied that was correct. They are essentially prioritized through discussions with engineering and operations and either based on historical information on main breaks or galvanized pipe or transite pipes that need replacement.

Mr. Kern noted on the monthly financial statements that it looks like the Department is selling less water.

Mr. Sumada replied that there has been less consumption since the water restrictions in Kona back a couple of years ago. From that point, consumption declined and has stayed at those levels.

Mr. Kern asked if it would be from the practice of the water conservation carrying over.

Chairperson Boswell stated that a lot of it is irrigation. He still refuses to turn his irrigation system back on.

Mr. Sugai noted that it has been rainier over there as well.

Mr. Ney asked where the Department would like to see the consumption be.

The Manager-Chief Engineer explained that typically in every system, we are not that close where we are running that fine line. We want more consumption but we want it primarily for its highest use consumption. There are certain systems where irrigation is higher than others, and that is a valid use too, but part of it is to make sure our customers are educated to use water wisely because it is a finite resource.

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

The Manager-Chief Engineer provided an update on the following:

1. North Kona Wells – the Deputy reported that for the North Kona water system, there are four wells currently under repair: Wai‘aha which is still on litigative hold; Holualoa Well for which a time extension was granted to March 31 of this year; Makalei, in the developer’s hands for bidding out for repair, anticipated for the first quarter of this year; and Palani Well, which was discussed earlier regarding the shroud. The shroud was installed earlier this month; and after repeated attempts for start-up, the motor megged zero, meaning there is no electrical connectivity with the motor. Staff is working with the contractor now under warranty provisions to extract it and do assessments.

Chairperson Boswell wondered how much money you sink into a hole before you start to feel spooked.

The Manager-Chief Engineer stated that the pump and motor will be shipped to the manufacturer and someone will inspect the tear down.

Mr. Ney wondered if it could have been a result of the pump not having continuity with electricity going down in.

The Manager-Chief Engineer explained that as the contractor sends the pump down, they periodically test, or “meg” it, to test the power cable to ensure it does not get damaged on the way down and there is full continuity.

Chairperson Boswell asked if this was the power cable where the entire roll had to be purchased.

Mr. Takamoto replied it was not. This was a different cable.

Mr. Kern asked if the Department anticipates a time extension coming up.

The Manager-Chief Engineer replied that it is being treated as warranty. Technically, the contractor installed it; and before they flipped the switch, the project was almost complete. When it is essentially complete, the Department stops the clock. From that point until the tear down and investigation are complete, it is like a pause and those days are not being counted as liquidated damages. He did not know how long the tear down will take.

Mr. Ney commented that for something to spontaneously fail, it did not make sense.

The Manager-Chief Engineer agreed it is very disappointing but we are committed to keep plugging away with the improvements that we have developed over the course of the last several years.

The Deputy also gave the Board a heads up on a couple of other wells that will have to be taken offline next month due to decreased pumpage. They are Keahuolū and Kahalu‘u B wells. Staff is working on bid specifications plans to award within the next two months.

Mr. Sugai wondered about how things are trending and wondered about Derrick’s Well Drilling bidding on new projects. They could be trying to catch up on their backlog of work right now.

The Manager-Chief Engineer felt that they will continue to bid. They have a continuous stream of work and it can be part of the challenge to manage the workflow, equipment, and manpower. When the Department puts out a bid, it does not make the timeframe unrealistic. There is a balance.

Mr. Kern noted that they are all usually good, except it is the manufacturer causing the delays nine times out of ten.

Chairperson Boswell agreed. If the Department bought a couple billion dollars more worth more of pumps, it would probably get better service.

Mr. Ney asked how many manufacturers there are to choose from for pumps of commercial grade.

Mr. Takamoto replied there are seven to eight.

Mr. Ney also asked if the Department does case studies for other water utilities to see if there are common issues with a manufacturer that might lead you to stay away from certain ones.

The Manager-Chief Engineer replied that there have not been many, especially others having the same situation as here on the west side of this island with the deep set wells. The ones with similar issues are Kohala Water Company and Waikoloa Water Company. Not even Oahu, Maui, or Kauai have the same challenges. Part of the Department’s efforts have been to standardize equipment as much as possible in order to have flexibility to use the pumps and motors in different locations. It is not that easy because every well in Kona has a different pumping height column. Also, reducing the horsepower and flow rate might result in a bigger pool of manufacturers to choose from.

Chairperson Boswell appreciated the discussion. Having two new Board Members is new blood. These are old questions to those who have been on the Board for a while.

2. The Manager-Chief Engineer mentioned two Bills that are moving through the Legislature: House Bill 1908 and House Bill 2600, which he handed out, as well as draft testimony intended if HB1908 gets a hearing. They are very troublesome to us as a Board and the other water departments in the State. It will put it on the agenda next month to discuss with the Board but invited the Board Members to call if they have questions. This is of highest concern to all of the water departments in the State.

Mr. Domingo asked if the bill would be combining the DWS with the Department of Environmental Management.

The Manager-Chief Engineer replied he did not think that was what was intended, but it would make them assess a surcharge in their wastewater bills.

Mr. Kern asked the Manager-Chief Engineer if he has talked with any of the State Representatives yet.

The Manager-Chief Engineer replied that he has not but does have a meeting scheduled in a week with Representative Nakashima and is trying to find out what the reason is behind these Bills.

Mr. Kern thought it was concerning because it was backed by so much leadership.

Mr. Kern asked if the Department was only responding to HB1908 right now.

The Manager-Chief Engineer replied that he also has a draft testimony for HB2600. They have been referred to committees but have not been scheduled for hearing yet. Once they do, the Department will submit testimony. So HB1908 has been referred to the Committee on Water and Hawaiian Affairs and Finance Committees and HB2600 has been referred to the Committee on Water Land and Hawaiian Affairs, as well as the Consumer Protection Committee, and also the Finance Committee.

Mr. Kern asked the Manager-Chief Engineer if he would be flying to Oahu to testify in person if it goes to hearing.

The Manager-Chief Engineer replied he would and that he has been communicating with the other water Managers, trying to use resources to find out more information and drafting testimony in opposition. Aside from having an appointment with Representative Nakashima, he is working on setting appointments with others as soon as possible. He asked if any Board Members have familiarity with working on this type of thing, or would like to assist, to give him a call.

**G. EXECUTIVE SESSION REGARDING OPEN LITIGATION:**

The Board anticipates convening an executive meeting for the purposes of discussing the legal rights, duties and liabilities of the Board concerning open litigation against the Board, as authorized by Hawai'i County Charter Section 74.6 and Hawai'i Revised Statutes ("HRS"),

Section 92-4 and 92-5(a)(4). The Board wishes to have its attorney present, in order to consult with the board's attorney on its questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities pursuant to HRS Section 92-5(a)(4). A two-thirds vote of the members present, pursuant to HRS Section 92-4, is necessary to hold an executive meeting, provided that the affirmative vote constitutes a majority of the board.

ACTION TO ENTER EXECUTIVE SESSION: Mr. Kern moved that the Board enter Executive Session; seconded by Mr. Scicchitano and carried by roll call vote (Ayes: 6 - Ms. Howard, Messrs. Domingo, Kern, Ney, Scicchitano Sugai, and Chairperson Boswell; Nays: 0; Absent: 2 – Ms. Hugo and Mr. De Luz).

(Executive Session began at 12:12 p.m. and ended 12:52 p.m.)

#### H. CHAIRPERSON'S REPORT:

1. Chairperson Boswell stated that he typically does not have anything to report, but welcomed the two new Board Members and invited them to please ask questions as this goes along because it is a learning curve. He is three years into his term on the Board and looks forward to coming to these meetings.

Mr. Ney commented that he also looks forward to working with the Board on accomplishing a common goal of improving the Department and keeping controls in for the customers they serve as well. There is a dual objective there, and it is good to get to know everyone here.

Ms. Howard echoed that sentiment.

#### 10) ANNOUNCEMENTS:

1. **Next Regular Meeting:** - February 25, 2020, 10:00 a.m.; Department of Water Supply, Hilo Operations Center Conference Room, 889 Leilani Street, Hilo, Hawai'i.
2. **Following Meeting:** - March 24, 2020, 10:00 a.m.; West Hawai'i Civic Center, Community Meeting Hale (Building G), 74-5044 Ane Keohokalole Highway, Kailua-Kona, Hawai'i.

#### 11) ADJOURNMENT

ACTION: Mr. Kern moved to adjourn the meeting; seconded by Mr. Sugai and carried unanimously by voice vote.

(Meeting adjourned at 12:55 p.m.)

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Recording Secretary