

County of Maui Water
Supply

BOARD OF WATER SUPPLY
COUNTY OF MAUI
REGULAR MEETING

Held on Thursday, February 24, 2000, at the HGEA Conference Room, David K. Trask, Jr. Office Building, 2145 Kaohu Street, Wailuku, Maui, Hawaii.

REPORTED BY: JEANNETTE W. IWADO, RPR/CSR #135
IWADO COURT REPORTERS, INC.

ATTENDANCE

CHAIRPERSON:
ROBERT TAKITANI

BOARD MEMBERS:
ELMER CRAVALHO
CLARK HASHIMOTO
MICHAEL NOBRIGA
PETER RICE
JONATHAN STARR
ORLANDO TAGORDA

EXCUSED:
ADOLPH HELM
HOWARD NAKAMURA

DIRECTOR:
DAVID CRADDICK

DEPUTY DIRECTOR:
GEORGE TENGAN

DEPUTY CORPORATION COUNSEL:
HOWARD FUKUSHIMA

BOARD SECRETARY:

FRAN NAGO

FISCAL OFFICER:

MICHAEL QUINN

ENGINEERING:

HERB KOGASAKA

WENDY TAOMOTO

PERSONNEL:

CINDY GRASA

EX-OFFICIO:

BRIAN MISKAE

ALSO PRESENT:

PETER STOLLE

HARRY EAGER

IWADO COURT REPORTERS, INC.

TRANSCRIPT OF PROCEEDINGS

BOARD OF WATER SUPPLY, REGULAR MEETING

THURSDAY, FEBRUARY 24, 2000

CHAIRMAN TAKITANI: Good morning. I want to call the Board of Water Supply, County of Maui, regular meeting to order. It's Thursday, February 24, 2000, 9:05 a.m. We are meeting in the HGEA Conference Room, David K. Trask, Jr., office building, room 207.

In attendance we have board members Clark Hashimoto, Peter Rice, Jonathan Starr, Elmer Cravalho, Orlando Tagorda, and myself, Bob Takitani. We have a quorum in attendance. The agenda has been properly filed and noticed.

Vote for approval of minutes, item No. 3, regular session, January 31, 2000, both day and evening sessions.

MR. CRAVALHO: Mr. Chairman, I'll yield.

MR. RICE: Mr. Chairman, I would move that the minutes be accepted and that they be retained on file for 30 days so that any additions, corrections, deletions may be made as appropriate after review.

MR. CRAVALHO: Second.

CHAIRMAN TAKITANI: Moved by Mr. Rice, seconded by Mr. Cravalho, the minutes of January 31st, both day and evening, will be accepted and retained on file for a 30-day period for review, subsequently to which they will be filed.

All those in favor say "aye."

(Ayes.)

Opposed "nay."

(No response.)

The ayes have it, the minutes are approved.
Do we have any testimony from the public?

Excuse me, I neglected to enumerate the staff present. Director David Craddick, Corporation Counsel Howard Fukushima, secretary Fran Nago, recording secretary Jeannette Iwado, ex-officio board member Brian Miskae. Mike Quinn, fiscal officer; Cindy Grasa, personnel; Herb Kogasaka, engineering; George Tengan, deputy director; and Wendy Taomoto from engineering. In the audience we have Peter Stolle and Harry Eager.

Is there any testimony from the public? Seeing none, we will move onto the agenda. We will go to Roman numeral 5, Director's Reports. Director's Report 00-08, Request approval of addendum to the attorney's fee agreement with Miller, Sher and Sawyer in the DBCP settlement.

Mr. Craddick?

MR. CRADDICK: Bob, there were supposed to have been some enclosures, mainly the revised agreement in here, and it's been handed out this morning, and I have no objection if the board wants to defer on this to give themselves a chance to read these documents.

CHAIRMAN TAKITANI: Would Mr. Quinn like to give kind of an overview of what this is all about so that the board will have a better understanding?

MR. QUINN: This item on the agenda is a result of several questions we had with our attorneys Miller, Sher and Sawyer, who represented us in the DBCP lawsuit, and specifically it has to do with the fee agreement.

Essentially, the fee agreement as it stands now, in particular with respect to operations and maintenance costs of wells that have DBCP contaminants, when we recover monies from the defendants, as in the Napili A case, where we are entitled per the settlement agreement to \$68,500, operations and maintenance costs, the fee agreement handles that in terms of present value.

In other words, the attorneys wanted their fee up front for the full 40 years as calculated using present value calculations. We had some problems with that in the sense that there's a lot of unknowns.

First of all, we don't know whether Napili A will be in operation for 40 years. Trying to go out and predict for 40 years what the consumer price index is going to be in the settlement agreement has factored that into that, so each one of these 68 yearly payments have to be adjusted by the consumer price index, and it's just an unknown as to how many more wells we are going to have with this contamination, etc.

So we began a discussion and dialogue with the attorneys, and what you have in the Director's Report today and in the fee addendum that is in front of you is the result of those discussions. And in essence, it does two things. With respect to the Napili A well, we have agreed to a present value calculation of no more than ten years, subsequent to that the

payments would be on an annual basis. The payment is \$68,500; our attorneys get 25 percent of that.

We felt that was more manageable with the Napili A well in an area that we could settle on in terms of the current fee agreement and what we wanted. With respect to all other wells that may be contaminated in the future, the fee addendum was structured and stipulates that we will pay 25 percent of the annual payment that we receive from the defendants.

So it's very manageable, much easier to understand, and takes a lot of the guesswork and the predictions and the forecasting that would go into this 40-year present value kind of situation. That was the major change in terms of the fee addendum.

MR. CRADDICK: One thing here, maybe to bring it more to a point, is that under the current agreement, the payment that we are looking at is somewhere between \$636,000 and \$726,000, depending upon what we finally agreed would be the discount percent and the CPI number.

Under this renegotiation and only paying for ten years, the payment that we are looking at is \$159,546, much, much less than even the minimum one, \$600,000, or about a quarter of that. And the real, probably, issue is how we came at this discount number and that's what these documents that we have passed out here, that is how that was done. It was done by George Oamek, who is an accountant or economist.

MR. QUINN: Economist.

MR. CRADDICK: This was the methodology that was used for Fresno, was it? And in every subsequent case with Miller and Sher. We felt it was reasonable and that's why we are proposing it to you. The net -- taking the CPI away from the discount value, we end up with a net discount value of 3.5 percent, and that's what the present value payment is based on for ten years.

MR. STARR: Have the Napili A contactors been installed?

MR. CRADDICK: That contract runs for about a year,

and I would say probably in October or November of this year would be the time.

MR. STARR: Why are we looking to pay future O&M on something that hasn't been installed yet?

MR. CRADDICK: It's the way the current fee agreement is written. The current fee agreement, as soon as the settlement agreement is completed, that \$6- to \$700,000 is due.

MR. STARR: You mean a settlement agreement for that particular well?

MR. CRADDICK: No. The settlement agreement is for everything. The settlement agreement is with the defendants. The fee agreement is something we signed with Miller and Sher back in 1996.

MR. STARR: I understand that. The fee agreement that this is based on is something that I know I had never seen because it was signed in 1996.

I was actually kind of surprised when I heard about this prepayment of the O&M fees because there had been some discussion at some of the meetings when we were trying to finalize a settlement agreement, and it was my understanding at that time that all fees that we would have to pay would be paid out of proceeds that were received from the chemical companies, and that it wouldn't be an out-of-pocket situation.

But here I am seeing that for the operation and maintenance, if I am not mistaken, we are going to be paying this out-of-pocket, is that correct?

MR. CRADDICK: Out of the proceeds.

MR. QUINN: It will come out of the proceeds that we receive from the defendants of the \$3 million settlement.

CHAIRMAN TAKITANI: How much have we received now?

MR. QUINN: We have received about 2.3 after Miller and Sher took their income.

MR. STARR: Have we received that, or is that sitting in escrow?

MR. QUINN: We are earning interest on it right now.

MR. STARR: So it will come out of that?

MR. QUINN: It's in the county treasury.

CHAIRMAN TAKITANI: Mr. Rice?

MR. RICE: This has to do only with existing wells, the fee agreement for things that are discovered later are based on costs that are incurred, I mean, settlement proceeds that we --

MR. QUINN: No. The current fee agreement --

MR. CRADDICK: Mike, he's right, this deals only with Napili A well. All future wells we will pay as we receive the money. That's what point 4 says here, that's what point 4 says in the letter.

MR. RICE: I'm reading Sher's letter, and I got that impression.

MR. CRADDICK: So if that's wrong, then that's something we need to clear up.

MR. QUINN: The current fee agreement on page 6 of 13, item D, If payment of all or any part of the amount to be received will be deferred, such as in the case of an annuity, a structured settlement, or periodic payments, the total amount received, for purposes of calculating the attorneys' fees, will be the initial lump-sum payment plus the present value, as of the time of the settlement, the final arbitration award, or final judgment, of the payments to be received thereafter.

So the addendum does two things. It specifically

addresses the Napili A situation, because that's an immediate payout, and that situation is limited now to a present value calculation of ten years, and thereafter, 25 percent of whatever we receive from the defendants on an annual basis. That's one issue.

The other issue is the issue of other wells. If in fact another well comes up with DBCP in it, we will then submit a claim to the defendants for the operation and maintenance costs of that well in addition to the capital costs, and we will give our attorneys 25 percent of that number on an annual basis, not calculating the future value.

MR. RICE: That's what I'm getting to. So the only cost that exists that we have to calculate where that clause that you read applies to is Napili A?

MR. QUINN: Right now, yes.

MR. RICE: Give me an example of where it might apply in the future.

MR. CRADDICK: Rather than an example, on page 2 of the memorandum to attorneys' fee agreement, down at the bottom, B, capital costs for GAC facilities for other wells. If you actually skip over to the top of page 3, Client will pay attorney 25 percent of such payment at the time client receives sum from defendants. So we are revising the original fee agreement with this language. So at the time we receive the payment, we pay 25 percent, that's it.

Now, the B thing says capital costs there, but my understanding was this was all payments, and -- okay, C is where it covers that.

MR. STARR: Has Corp Counsel reviewed this situation? Because this is a legal document that's being sent to us by another attorney.

MR. FUKUSHIMA: I did look at it. It was my belief that amending the contract was a policy decision.

MR. STARR: I am not asking whether we can do it, that's not the issue here. The issue is can this come back and bite us, this change? How does it affect us monetarily?

MR. FUKUSHIMA: Well, I think it clarifies it, it clarifies when payments are going to be made, that the payments are going to be made essentially as reimbursement from the defendant is made. As Mike was saying, what it further does is it resolves the uncertainty in dealing with the Napili well. And if the board wishes to pay that for ten years, reduce the present value, I have no problem with that from a legal standpoint.

CHAIRMAN TAKITANI: Mr. Craddick?

MR. CRADDICK: The big things that I see us doing is, one, the current fee agreements, that we are to make up-front payments anytime a well goes bad. What we are doing is we're changing that up-front payment to only ten years for Napili A. All future wells are 25 percent of the payment as we receive it. And that is much better for us because we don't have this contingency out there of trying to guess whether the well is going to be bad for 40 years, what the CIP is going to be. We will know what it is.

So as far as getting rid of the unknowns, we're very happy about it. Originally, they wanted 20 years on Napili A, we talked them into ten years. It's a guess, really, whether Napili will be bad for ten years, but we're comfortable with that and we're a lot more comfortable with that than paying out \$600,000 right now. Put it that way.

CHAIRMAN TAKITANI: Mr. Quinn?

MR. QUINN: We also had them put in a stipulation that if in fact Napili A does not have any trace of DBCP prior to the ten-year period, we are entitled to reimbursement of the portion of present value that they have for those years that DBCP doesn't have -- Napili A doesn't have DBCP in it and that would be applied to any future settlement on another well.

So I think it's a much tighter agreement at this point, and it eliminates an awful lot of uncertainty with

respect to going out 40 years or 30 years or whatever the case may be on this situation.

Because what you have to do is you have to take into consideration that over 40 years you have to come up with a reasonable expectation of what the consumer price index may be, and in addition, you have to come up with a reasonable expectation of what kind of a return on investment we would get, and therefore we would apply that as a discount factor to the attorneys' fees. And if you take it on a year-to-year basis, it's really straightforward. It's a known; it's not an unknown.

CHAIRMAN TAKITANI: Mr. Starr?

MR. STARR: Mr. Chairman, I'm satisfied with this addendum. I would like to move that the board approve the addendum as per Director's Report 00-08.

MR. RICE: I'll second.

CHAIRMAN TAKITANI: Moved by Mr. Starr, seconded by Mr. Rice to approve the addendum in Director's Report 00-08. Any discussion?

MR. RICE: Mr. Chairman, could I just ask counsel to make one point?

MR. CRADDICK: They will have to sign off as to form and legality.

MR. CRAVALHO: That's what I'm afraid of.

CHAIRMAN TAKITANI: Mr. Tagorda?

MR. TAGORDA: Just for my information, I'd like to ask Mr. Craddick, if the ten-year period is not reachable and Napili A is just abandoned, are you going to be moving --

MR. CRADDICK: Try that again.

MR. TAGORDA: If Napili A well is going to be

abandoned --

MR. CRADDICK: For what reason?

MR. TAGORDA: I don't know, just a hypothetical, hypothesis. What you going to do with that GAC vessel, is to move it some place else where there are DBCP wells and you are going to reuse it, right?

MR. CRADDICK: Assuming there's some more life in them and we didn't need it on any other well, we'd have to dispose of it the way we normally dispose of assets, which would be to auction it off or have a sealed bid and sell it.

MR. TAGORDA: If that's going to happen, that those utility vessels or GAC filters are moving around the county, there are some credits to the defendants, the way I understand the settlement agreement, so you are not going to get O&M.

MR. CRADDICK: The O&M is set based on the number of vessels you have, and if we move it and we reuse that, yes, the capital costs may be less. So you're right there, the capital costs may change a little bit, but the operating costs won't change.

CHAIRMAN TAKITANI: Any other discussion? If not, all those in favor of acceptance of the Director's Report 00-08 signify by saying "aye."

(Ayes.)

Opposed "nay."

(No response.)

The ayes have it, Director's Report 00-08 is approved.

We go to Director's Report 00-09. Request approval of a budget amendment for the Kulamalu Tank project. Mr. Craddick?

MR. CRADDICK: On this item here, there are some

enclosures with the Director's Report. One is a letter from the Department of Education agreeing with their share. We also have a copy of the agreement with Kulamalu, and I believe we have the agreement with the Department of Education, beginning on page 47, that was signed back in 1997, where they said they would pay a share of it.

So with them taking their share and us paying our share, according to the agreements that we have, our share is, I think, \$550,000 and in there we've allowed 5 percent for contingency in there, that \$550,000?

CHAIRMAN TAKITANI: 10 percent.

MR. CRADDICK: 10 percent.

CHAIRMAN TAKITANI: The cost is \$498,800.

MR. CRADDICK: Right. Right.

MR. CRAVALHO: Mr. Chairman, with respect to the amount set aside, I have no particular problem with that. My problem comes about with respect to the 10 percent contingency, and that this is not to include change of orders without the approval of the board prior to the change of order being agreed to.

MR. CRADDICK: That's all right.

MR. CRAVALHO: No problem.

MR. CRADDICK: No problem.

CHAIRMAN TAKITANI: Mr. Starr?

MR. STARR: I'd just like to get a little better understanding about this tank. There's something that has confused me for quite awhile. As I understand it, this tank is being built to serve as three different entities, and one of those is the school, the Kamehameha School, the other one --

MR. CRADDICK: No, well, Kulamalu project, if you

will, not necessarily the Kamehameha School.

MR. STARR: I know part of it is being utilized to service our existing customer base. So we're paying for that portion of it. But you're saying that we've -- do we have one partner in this tank or two partners?

MR. CRADDICK: DOE and Kulamalu.

MR. STARR: That's what I'm trying to get to, we have two partners there. One of them is Kamehameha Schools --

MR. CRADDICK: No.

CHAIRMAN TAKITANI: King Kekaulike.

MR. STARR: The high school, so it's King Kekaulike, the high school?

MR. CRADDICK: Yes.

MR. STARR: And Kulamalu.

MR. CRADDICK: Yes.

MR. STARR: What is the total cost of this, then?

MR. CRADDICK: Total cost is, right now with no change orders, is 1.547.

MR. STARR: So approximately one-and-a-half million.

MR. CRADDICK: Right.

MR. STARR: And how much is the --

MR. CRADDICK: That's the construction cost of the tank. In addition to that, there's some land costs and things like that.

MR. STARR: How much is the DOE part?

MR. CRADDICK: It's 31 percent, is what it is.

MR. STARR: Okay. And originally Kulamalu's portion was going to be --

MR. CRADDICK: 45 percent. Well, 35 percent, then they upped it to 45 percent.

MR. STARR: So this is taking into account a higher contribution by Kulamalu?

MR. CRADDICK: Yes.

MR. STARR: So in other words, our share went -- did our share go down or did our share go up, then?

MR. CRADDICK: Our share went down, because the school's was fixed. What happened was the school had originally planned to do a tank over by Maluhia tank by the Oskie Rice arena and it was very far away. We knew Dowling had this tank, we were trying to get some other people to participate, Malama Pacific, but I guess they're trying to sell their property now. But we didn't want one tank here, one tank there, all over the place. The best way to do it was to get one standard-sized tank in one location.

The school kind of had a problem, in that, I guess the school superintendent, at the time when the school was approved, had said the school would not be participating with any private developers to make any improvements over there, and I guess the way to solve that was to participate with us, not the private developer.

They bid the tank out by the Maluhia tank, I think it was \$1.1 million. That was the amount of money they encumbered, that's the money that shows up in our budget. But again, they could only contract for that 31 percent, as their letter on page 5 says. And you can see the state appropriation and everything for that. So that amount was fixed. So whatever Kulamalu's went up, ours went down.

MR. STARR: So how much is Kulamalu paying for their share?

MR. CRADDICK: They will be paying 45 percent.

MR. STARR: And we're paying about 30 percent?

MR. CRADDICK: No, ours would be about 19 plus 5, 24 percent.

MR. STARR: 24 percent. And how much is our share?

MR. CRADDICK: \$498,800.

MR. STARR: That's my problem, is that we're paying for a quarter of it for \$500,000, and based on that, the thing should be worth \$2 million, but it's only a \$1.5 million project.

MR. CRADDICK: But you are not reading the agreement with the school. They had already done all their engineering costs and everything like that, and they weren't paying for the engineering costs, nor the land costs. We are paying 100 percent of the engineering and land costs. And the reason why is because if they're buying land, then you have to go through executive order and a lot of problems.

And for the small amount of the land costs, what they did was originally they were only required to have a 30 percent stake in this, and they upped it to 31 to take a little more percentage of the tank and not cover the land, but the engineering costs are still -- if you will, that's our contribution to get everybody to participate together, to not have these small little tanks all over the hillside.

MR. STARR: So in other words, we don't really gain -- Kulamalu also, then, is not really paying their full share, they're only paying their full share of the construction but not the engineering and the land costs, is that correct?

MR. CRADDICK: On the engineering and land costs, our share jumps up to 55 percent.

MR. STARR: I don't understand why when we make these deals we don't get everyone to participate in the full cost.

MR. CRADDICK: That is pretty much covered in the agreement with the school, it's on page 47. Let's see here. Okay, on page 48, item 3, the parties agree as follows: The board shall be responsible for the design and construction. It doesn't say in here that they're going to take a share of the engineering costs or the land costs.

MR. STARR: Who drew this up?

MR. CRADDICK: This is an agreement that was approved by the board, and back in 1997.

MR. STARR: And did the department draw this up?

MR. CRADDICK: I am not sure. I kind of get the feeling the state drew it up. I'm quite certain we didn't draw it up.

MR. STARR: In the future, I think it would be better for us to insist that participants and storage be actually paid for, percentages of the real cost and not leave us with the land costs and the engineering costs. I understand that there are agreements signed, and in this case I would not wish to change those, but looking ahead, this is something we should do differently in the future.

MR. CRADDICK: Jonathan, do you understand what I'm saying? Their share was really 330 percent, only 30 percent, that extra percent going up 1 percent covers their share of the land costs. But they're not buying the land, because if they buy the land, then the only way we can get it is through executive order and the state is not going to get into a multi-land ownership deal like that.

MR. STARR: I understand what you're saying. It seems to me that we're a couple of hundred thousand dollars short somehow.

MR. CRADDICK: Well, we're \$60,000 short, maybe, on the engineering costs. But keep in mind, they had already

designed the tank and were ready to build it, and it was our request to not have these small tanks and increase our maintenance costs by having a 300,000 gallon tank here for them, and another 450,000 gallon tank here for Kulamalu, and another tank somewhere else for other people. And it helps, over the life of this thing, we are going to save way more than \$60,000 in maintenance costs.

I suppose we could have held tight and firm on that, but we've got a design for a tank there. If we ever need a tank over in Maluhia, we have got the design for it.

CHAIRMAN TAKITANI: I think that's the basic point, that we finally have a properly sized tank in a proper location, instead of having multiple tanks all over the place.

MR. CRADDICK: Yeah, that was the discussion back in 1997 with the board.

CHAIRMAN TAKITANI: Mr. Rice?

MR. RICE: Mr. Chairman, I'd like to move that the Director's Report 00-09 be approved for \$498,800, and that any change orders be, it may be redundant, but any change orders be brought back to the board for approval prior to implementation.

MR. CRAVALHO: Second.

CHAIRMAN TAKITANI: Moved by Mr. Rice, seconded by Mr. Cravalho, that Director's Report 00-09 be approved in the amount of \$498,800, with all change orders being approved prior to implementation.

All those in favor signify by saying "aye."

(Ayes.)

Opposed "nay."

(No response.)

The ayes have it, Director's Report 00-09 is approved.

We will go to Director's Report 00-10. Request approval for an adjustment to the current EIS proposal to include the DBCP settlement but deleting a tie-in with the Upcountry water system.

MR. CRADDICK: For this we took out, out of the 95,000 that included Upcountry, just the portion that covered the DBCP settlement. So if this addendum is made to the current agreement, we will be covered for the DBCP. It doesn't include any tie-in with the Upcountry water system.

MR. CRAVALHO: Mr. Chairman?

CHAIRMAN TAKITANI: Mr. Cravalho?

MR. CRAVALHO: Move that we approve the recommendations of the director and proceed with the contract.

MR. TAGORDA: Second.

CHAIRMAN TAKITANI: Moved by Mr. Cravalho, seconded by Mr. Tagorda to accept the Director's Report 00-10. Any discussion?

MR. STARR: Discussion.

CHAIRMAN TAKITANI: Mr. Starr?

MR. STARR: Mr. Chair, I will be voting in favor of this because I feel it's very important to get this process rolling. However, I do still feel that we would have been better served to use this opportunity to tie the systems together, which would have given us more flexibility and more ability to deal with problems in Upcountry in the future, and that we are leaving ourselves open to possible difficulties due to segmentation of the process.

So I would have preferred to have seen it the other way, but I do feel it's essential that we proceed, so I will be

going along with this. However, somewhat reluctantly.

MR. CRAVALHO: Mr. Chairman, I agree with the statements made by Mr. Starr. It's precisely to preclude any segmentation that I have asked for a couple of things to be done.

If I may, Mr. Chairman, historically, the idea of linking the systems together has been part of our proposals some 20 some years ago. I'm glad to see progress being made in that direction. I believe that the original proposal with respect to the EIS in the area that we are looking at would not be of the greatest possible benefit at this particular time. I share with Mr. Starr his concern for the water supply of Central Maui and the need to integrate all of our systems. I don't think there's any difference of opinion there.

The question is the methodology, and I submit that I think what we are doing here right now is the better process to use. This does not in any way and should not in any way defer our efforts for the final integration of a system at the appropriate time, and I have said this.

I have said in the past, at this time, I am not ready to vote for an integration, and I appreciate the sentiments expressed by Mr. Starr that we share in common the same objectives and we want to move rapidly. And I don't think this will deteriorate or defer or delay anything. In fact, I think it will accelerate it.

CHAIRMAN TAKITANI: Thank you, Mr. Cravalho.

Any other discussion?

MR. CRAVALHO: Question.

CHAIRMAN TAKITANI: All those in favor of approving Director's Report 00-10 signify by saying "aye."

(Ayes.)

Opposed "nay."

(No response.)

The ayes have it, Director's Report 00-10 is approved.

We will go to Director's Report 00-11. Request approval of the purchase and maintenance of uniforms for the Plant and Field Operations staff.

MR. CRADDICK: This item here, I guess we're somewhat jumping a little bit on our strategic plan items, but this was an item that came up in the strategic plan. Currently, the meter readers and our plant operators have these uniforms and I think we just feel it will look more professional having everybody with the same outfit on, and people can identify them as our workers.

MR. HASHIMOTO: Can I just ask, what does the maintenance include?

MR. CRADDICK: Washing.

MR. HASHIMOTO: Can't they wash it themselves?

MR. CRADDICK: It's in the union contract that if we provide uniforms, then we have to pay for the maintenance. Cindy is the one who made up this proposal. She discussed it with the union, and the union is in agreement with this.

MS. GRASA: Actually, we just provide them with the fee, they wash their own uniforms. It's just a \$6.00 a month fee, and we give them a check.

MR. CRAVALHO: I have a slight problem with this. Not in terms of its value but in terms of its timing. We are just about at the end of the fiscal year, and we're supposed to be looking at the proposed operating budget for the next fiscal year that starts 1 July. I think it would be more appropriate at that time to include this as part of the operating budget for the entire year.

So my suggestion, Mr. Chairman, if there's no objection, that we defer action on this and we put it in our consideration for implementation, if necessary, in the budget that we are going to be adopting. I said, if necessary.

MR. CRADDICK: As far as I'm concerned, we don't have any objection. It would be in the budget anyway for next year, because supposedly they get this every year and it's just that when you start it, I actually doubt by the time the T-shirts are all ready --

MR. CRAVALHO: We're supposed to be operating on a balanced budget. Earlier I made some very oblique references to the methodology of our budgetary proposals and composition. Whether we are on the cash budget or whether we are on the accrual.

On the cash budget, we may be in balance in terms of cash in, cash out, and that includes the accrued depreciation of about \$7 million plus or minus, whatever it is. If, however, we go to the accrual budget, we are in the red, and depending upon what we are looking at, we may be in violation of the intent of a balanced budget.

So let us look at it in its entirety when we look at the operating budget. It's a very simple thing. Otherwise we may be appropriating money or agreeing to appropriate money for a budget that's already in the red, depending upon which budget we are looking at.

My suggestion is to defer until such time as we have this overall budget coming for July 1st. The amount is small, but it's the principle that's involved.

MR. CRADDICK: No objection.

MR. CRAVALHO: I so move that we defer until the next budget.

MR. TAGORDA: Second.

CHAIRMAN TAKITANI: Moved by Mr. Cravalho, seconded by Mr. Tagorda that we defer items on 00-11 until the budget

process. All those in favor signify by saying "aye."

(Ayes.)

Opposed "nay."

(No response.)

The ayes have it, the matter is deferred.

We will go to item number Roman numeral 6, Old Business.

MR. FUKUSHIMA: If I may, Mr. Chair, this is a matter involving the lawsuit brought by Basil Milan. As I indicated to the board at our last meeting, we are in receipt of some information and documents from the department that were not available to us earlier. We have not had the opportunity to meet with engineering and to evaluate these new documents. We would request further deferral of this matter until next meeting.

CHAIRMAN TAKITANI: Okay. Any objection to a deferral? Hearing none, it is by consensus deferred.

We will go to item B. Discussion and review of Board of Water Supply 1999-2000 Goals and Objectives. 96-1.

MR. STARR: I think there's a problem about that number.

MR. CRADDICK: Yes, there is, the year. Is that what you are talking about?

MR. CRAVALHO: Mr. Chairman, I move that we defer this item on the agenda so that we may have a chance to review everything, to see if everything is in compliance and not contradictory in any way, shape or form. I noticed a couple of years that need to be clarified.

CHAIRMAN TAKITANI: I think there's a consensus. We will defer item B.

MR. STARR: Can we get a little bit of explanation of this without necessarily taking any action? I'd like a little bit of understanding of what we're looking at here.

MR. CRADDICK: Jonathan, maybe instead of taking up the board's time, we gave a power point presentation at the last meeting, and perhaps maybe after the meeting if you wanted to come and see that.

MR. STARR: I'll stop by and see that. I didn't realize that this was covered.

CHAIRMAN TAKITANI: Thank you. So we will move on to Old Business, item C, Communication 99-31. Request from Attorney John Rapacz on behalf of the Hoekstra family to exchange a 1-1/2 inch meter for six 5/8 inch meters, and to amend the Modification of Subdivision Requirements Agreement dated November 28, 1995, Eucalyptus Subdivision, Kula, Maui, Hawaii, TMK 2-2-9:2, Lot 1-C.

Mr. Rapacz, I think, has asked for a deferral. He sent a letter in to ask for a deferral to the next meeting. If there's no objection, we will defer that item to the next meeting.

We will go to item 7, Roman numeral 7, Communications. Communication 00-01. Request from Haunani S.Y. Lemn for modification of the fire protection requirements, Waikapu North Large Lot Subdivision, TMK 3-9-4:95, Lot 3-B, amended request.

MS. NAGO: Bob, I told her that it was going to be referred to staff, following what we usually do.

CHAIRMAN TAKITANI: The matter will be referred to staff for staff approval.

We're rolling along here. Roman numeral 8, Other Business. Formation of Nominating Committee to select candidates for Board of Water Supply Chair and Vice Chair for terms 4/1/00 to 3/31/01.

The chair has asked Mr. Hashimoto and Mr. Helm to

form a committee in which the chair will participate to be our nominating committee. Any other members who wish to be on the committee?

MR. TAGORDA: I'd like to be on the nominating committee, Mr. Chair, if there's no problem.

CHAIRMAN TAKITANI: Mr. Tagorda.

MR. HASHIMOTO: So when will the elections take place, the 23rd?

CHAIRMAN TAKITANI: The slate will be presented on March 23rd.

Okay, we will move on, then, to item B. Report on Upcountry water situation and possible drought declaration. Mr. Craddick?

MR. CRADDICK: Okay, there's a letter here certifying as to the current conditions. Wailoa ditch is at 36 million gallons a day, or 18 percent of capacity, and it's been below 15 for well over a week. Kamole treatment plant is running at 6.7. This is as of yesterday, and it has actually, for the last week it's been running about 7 or 8, and the excess water is then being pumped up.

Piiholo water treatment plant reservoir is at 49 percent of capacity. That was yesterday. I think today it's at 50 percent, it went up a little bit. The Waikamoi reservoirs are empty. Kahakapau is at 87 percent. Olinda treatment plant is running at 1.8 million and the total demand for the Upcountry systems is 8.8 million gallons. With those conditions, we feel that it does constitute a low water drought situation.

And I do have another letter here with some recommendations if the board concurs with that analysis.

MR. STARR: What is the inflow versus demand situation?

MR. CRADDICK: Demand is running around 8 to 9 million, and Wailoa ditch is at 36 and dropping.

MR. HASHIMOTO: Are the flumes fixed?

MR. CRADDICK: No, the Waikamoi flume is still down. It will be about another, I would say about a week or a week and a half to finish that up. We have actually been quite fortunate, it has been dry, otherwise we wouldn't have been able to work on that. But because it's been dry, instead of making temporary repairs, we are making permanent, actually replacing the trestles in the flume, whereas, originally, we were just going to make temporary repairs.

Once it turned dry, we had the materials so we felt it was more appropriate to finish it up permanently rather than doing something halfway.

CHAIRMAN TAKITANI: Based on your drought treatise, you are recommending what action?

MR. CRADDICK: You want me to pass that out here? I have a letter here that I'll pass out. I am not really going by these drought guidelines here, really, at all.

MR. STARR: Mr. Chair, I don't really think that the ones we're seeing warrant any issuance of drought warning or watch at this point. We are obviously low at Waikamoi reservoir because of the flume, but it seems that we're able to meet demand out of the ditch. So we are not actually short of water, though it is tending to be drier than normal. I don't really see that we have a problem at this point.

CHAIRMAN TAKITANI: Mr. Craddick?

MR. CRADDICK: We have an agreement with HC&S that says we will start cutbacks when we hit 50 million. I have just not done that because I wanted to bring this to the board first. I don't know if you are looking at Piiholo there, but Piiholo right now is seven days from empty. We have been pumping up there for the last week and we are not gaining anything.

So what we are pumping up is currently running everything full blast to pump it up. If we don't start getting those Hamakuapoko wells into that system, we will fail. We need that source of water.

MR. HASHIMOTO: I think we should at least have a drought watch so people can conserve water. If we don't say anything, people are not going to conserve water and we might get into a crisis again.

MR. CRADDICK: If we go through those steps, the normal response is to jump water use way up. That's the way it's been in the past. We now have a way to avoid that. If we go straight into the drought, we will go through the same conservation stuff, you know, requesting voluntary conservation, but it allows us to get this water, the well water into the system.

Because right now at this level here, we start to drop off on what we can run through the plant because the ditch flow is not high enough. So if we don't have this extra water to get into the system, what water we have available to pump up is going to reduce and reduce. Even though the agreement we have says we can pump more, the ditch, and there is the water in the ditch, it's not at a sufficient level to get it into the plant.

MR. CRAVALHO: Well, Mr. Chairman, here we go again. We're focusing attention on the particle, a relatively minute particle of the water situation, and we are making reference to the water flow in the Wailoa ditch without giving any kind of attention to any waters that may be flowing through and have been or are being diverted into any lower distribution system, Maliko ditch and Lowry and whatever.

Now, it appears to me that all parties need to cooperate and need to make their assets available. To refresh the memory of the board, the ditch flow at Wailoa, 75 percent of that water comes from state lands. So whatever water we see is being removed from Wailoa ditch.

With respect to the utilization for the Upcountry area, I think one could say that this is no part of A&B's

water, it is a portion of water that is coming from the state as versus the water that has been developed by A&B. This has nothing to do with whether A&B has been doing a good job in the water utilization. I have no quarrel with that. But my position is with respect to where the water is coming from.

And if we divert a portion of that water up to 7.5 or whatever the case may be for Upcountry, the Upcountry area is merely a segment of the general public. And it is a proper movement. The Upcountry area has at this time no other resource, no other water resource. The farmers have no other resource. That isn't true with respect to A&B.

It is my understanding, and correct me if I am wrong, that at the present time the pumping system of A&B does remove water from the Paia area and aquifer in that area up to 17 to 18 million gallons per day that is being removed. It is assessable and it is available, and it is not being subject to any kind of restriction with respect to its use. We cannot say the same thing with respect to the Upcountry area.

So the diversion or the withdrawal of a portion of the water from the Wailoa ditch, which in my estimation is state property which A&B has an agreement to use, okay. It's merely a redistribution of an asset which has its basis as a public asset versus a privately developed one. And if there is a need for people to sacrifice and accommodate and share, those requirements should be equally spread to all parties and all members of the community. Be those members corporate or individual, it's immaterial.

The other point is, while there is a sacrifice that is being asked, and I say yes, it is being asked of A&B with respect to Wailoa, A&B has the mechanism to minimize that diversion because it has pumping facilities that can be used, okay. The small guy doesn't. He really doesn't. And so we need, I think, to take these things into consideration.

The declaration of a drought situation, and I agree with Mr. Starr, it's premature, would be merely filling a legal technicality, and I suspect, I don't know, but I suspect that this is to make possible the utilization of the famous or

infamous H'Poko wells, whatever the case may be, okay. And it is merely a limited, a limited item of activity rather than what we do need is an implementation of the East Maui plant, the finalizing of the EIS statement, without complications, and move.

And under the worst, worst scenarios, let us say for the sake of discussion only, that we do not have a recourse and we don't have a satisfactory answer to the EIS on East Maui, but at the present time there are mechanisms that water is being removed through this pumping system of A&B from the aquifer in there. It is being removed, it is a present operation.

If push comes to shove, and that water or a portion of that water is absolutely essential for Central Maui, to me, it is a relatively easy task, take from there and bring here, because that operation and those facilities are already there. So are we looking at the totality, and are we looking at what is the best possible thing we can do? And I suggest, Mr. Chairman, that it is premature at this stage.

And secondly or thirdly or fourthly or whatever the case may be, if we do declare, yeah, a need for conservation, and there are times when it's necessary, then we also accompany that with an appropriate enforcement program. The last time we had one I made reference casually, because I think somewhere along the line there had been a new strain of grass for lawn purposes that had been developed. Because as I travel Upcountry every day, I see these beautiful lawns, nice, bright, green.

So if we have any drought declarations made without the proper controls and without the proper enforcement, we are practicing, maybe inadvertently, but we are still practicing a discriminatory practice, and it hits the smaller guy much more drastically than it hits the landed gentry. Enough.

CHAIRMAN TAKITANI: Mr. Starr?

MR. STARR: I agree, I think it's premature to take any action as far as this. I have to say I'm really getting tired of this yo-yo activity that we seem to be subjected to by the director, where we go to one meeting and he says, Oh, there

will never be another drought and the Upcountry system is sufficient to go and start issuing meters left and right, and then the next meeting he comes and says he wants us to declare a drought so that he can use the H'Poko wells again and go to the governor and try to get an emergency declared.

I just think this is really sad to operate and to subject the public in this fashion. I don't think we have an emergency or a real problem now, other than the fact that the flume is out of order and so we are moving water uphill. And yes, things are dry, but Mr. Cravalho is right, I believe, that part of the reason the ditch is low is that A&B is trying to save on their electricity costs, more than anything else.

It does, though, bring to mind something that we had discussed several times in the past, which is that in, I believe, one or two months, the awards by the state Board of Land and Natural Resources for the water leases will be coming up again, and I believe that once again there's the intent to just reissue the same one-year licenses to EMI and A&B. I believe they alternate. Some years they give certain ones to EMI and they give the other ones to A&B, and they flip-flop the next year because they can't issue more than a year to the same party.

In any case, we had discussed this in the past, and I believe that we had asked the department to look into when the meeting at which these awards was going to take place, and also to request that this meeting be held on Maui, because it has never been held on Maui, it's always been held on the Big Island or on Kauai, and request that it be held on Maui. And also to let us know the date, and possibly with that knowledge we might also be able to gain the documentation regarding these water leases so that we can educate ourselves about it.

And perhaps we might want to file some friendly comments or brief to this, because we are definitely involved in this. We're the ones at the bottom of the food chain here, trying to serve our customer base with what little dregs are left over out of a resource that should be or is definitely a public resource to a very great extent.

MR. CRAVALHO: Mr. Chair, I think all members of the

board and myself, we share the same approach, and A&B has done a reasonably good job overall, with respect to preserving the environment and keeping agriculture going. I don't think I have any quarrel with that.

But in the process of meeting a community need such as we have at the present time, there should be and there must be a larger amount of sharing and sacrificing that comes from those who have had access to this public resource, yeah, in order that we properly take care and meet the needs of another important sector of this general public.

My experience has been, yeah, over the years, not just since I have been here but over the years, yeah, that A&B drives very hard bargains, and they need to be met and they are being met from time to time by an equally hard position. And from there comes an agreement that meets the overall needs of the general public. I think this needs to be really looked at. And that evaluation of the resources, state lands, the state water leases, needs to be made, and a proper allocation made of this resource whenever we speak of water.

And one other element, which I think has not been mentioned, but I think is equally important, if not more so, and that is in the years that have gone by, yeah, in the striving to collect every drop of water we can, we may have diverted water from streams into a collection system that has resulted, yeah, into some degree of change of lifestyle, the deprivation of water, etc.

With the technology that's available to all of us today and the utilization in a much more sophisticated manner of this resource, I don't think it's impossible for this board to really look, yeah, at the diversion problems and to take it as a matter of policy that we should begin to restore some of those elements so that we preserve and protect the very things that have made this community popular and strong. I think this is really essential.

If I may, Mr. Chairman, just as a matter of history, just history, 20, 25 years ago, when we talk of the development here, things of that nature, and the water, same parties, we

need every drop, plus more, so we ain't going to get it. Get into drip, get into drip. They did. Okay, it has worked marvelously.

Other parts of the world that are faced with water deprivation of necessity have to do a number of things, whether we speak of the Far East, Saudi, Israel, or what have you. They have looked at the variety of alternatives, and I think we need to look at those things too, yeah, when we talk of economic growth, development, preservation of our assets and utilization of water.

As this board has decided previously, that agriculture still remains the basic lifeblood of this community, then it automatically follows that we share and we make provisions to take care of our friends and neighbors up there who are the remnants of what was a very vital and vibrant diversified agricultural industry.

We have come to many things before, we can do so again if we keep our eyes on the target. And I share with Mr. Starr, as I said before, hey, we really don't have that kind of a problem on our hands now. A declaration would be temporary and would divert our attention from what we need to do. So let us go keep our eyes on the target and move. We can, I know, we all know we can.

CHAIRMAN TAKITANI: Are you sure you want to speak?

MR. CRADDICK: I just wanted to let you know we did not check what the lower ditches are, and that is something we probably should do to make sure water is not being dropped down.

MR. CRAVALHO: Sometimes don't say something where you know the answer already.

MR. CRADDICK: And we have sent a letter on the leases, they haven't responded, but I'll follow up on that. The last thing is that we don't need any declaration by the governor to use the wells. If the board declares a drought, we are able to use them.

MR. CRAVALHO: Is that what the court said?

MR. CRADDICK: Yes, that's my understanding. We know what we have in mind.

CHAIRMAN TAKITANI: Why don't we suffice it to say that there's dry conditions Upcountry, and I think in the past there's been a wonderful device whereby when the board declares a drought, then it rains every time. So perhaps it will rain without the declaration of a drought. From the numbers I can see, we don't have the numbers to declare anything at this point.

MR. STARR: Mr. Chair, I will be happy to dance for rain.

CHAIRMAN TAKITANI: Thank you. Why don't we take a five-minute break and we will be back.

(Whereupon a brief recess was had.)

CHAIRMAN TAKITANI: Reconvene the regular Board of Water Supply meeting. Any more discussion on the Upcountry water situation? If not, we will move on to item C. Update on water issues discussed at public meetings.

Mr. Craddick, do you have anything?

MR. CRADDICK: There were none by me. I know Ellen had a meeting with the Lanai water committee on the water use and development plan, and there's, I believe, meetings that are going to start next week with Lahaina, and then we have, I guess, one tonight and one Saturday night.

The North Waihee project was picked as the engineering project of the year for the Hawaii Society of Professional Engineers, and that presentation is Saturday night. Other than that, I don't have anything else to report.

CHAIRMAN TAKITANI: Mr. Starr?

MR. STARR: I have repeatedly requested that board members be made aware of these meetings, such as the Lanai

water meeting, and it's still not happening. I am curious to hear from the director why he's not informing board members of meetings such as those. The Lanai water committee was particularly a group that the board members were told that we would be informed about before the meeting. Why are we not being informed?

MR. CRADDICK: I am trying to put something in place there to be sure.

MR. STARR: Don't try, please inform us.

CHAIRMAN TAKITANI: Could you make a report every month that states the next month's meetings? That would be submitted as part of the packet.

MR. STARR: And fax us. If it happens between meetings, fax the board members about those meeting.

CHAIRMAN TAKITANI: That should resolve it. Okay, we will move to item 9, Staff Reports.

MR. CRADDICK: We have the pumping report for groundwater, the surface water, plant operations report, and CIP projects, easements, and preservations of available capacity. And I believe Mike has his quarterly financial report there, December 31st. I don't know if you want to say anything more on that, Mike.

MR. QUINN: One thing I'd like to say, and it has nothing to do with the quarterly report, is that Tuesday of this week we finally got our state revolving loan check for \$7.3 million and change, so after two years we now have the proceeds in the covers, so I feel a lot more comfortable with the funding for CIP projects. And we will not need to transfer that \$1 million into the CIP fund because of that. So that's good news for us.

I have handed out this board summary that is included on page 1. I don't think there is any surprises. The only thing I am concerned a little bit about is it looks like our electricity costs are going to exceed budget projections.

We are taking a close look at that right now. We will be coming back to the board to inform you exactly where we think we're going, especially in light of the drop.

There also is another issue that we will be coming to the board with, and that is the issue of overtime. If you recall, the board at budget time asked that we try to reduce our overtime projection by about 25 percent. It looks like in some cases we are not going to be able to make that goal. So again, I will be coming back to the board on that issue.

And then finally, we are vigorously in the process of preparing the fiscal year 2001 budget for your review shortly, so we will be scheduling a workshop and budget workshop, if the board wants to follow the same process that they did in previous years. And we will be able to, at that time, go into in depth on all expense items and maybe address some of the issues that Mr. Cravalho has brought up regarding cash versus accrual budgeting, valid questions, and we will be prepared to address those.

Other than that, our revenues are fairly healthy, slightly above our projections, 9 percent ahead of last year. Our expense budget, our expenses right now are on target with the exception of the electrical and the overtime, which I will be getting back to you on.

If the board has any questions about CIP when they review these quarterly reports, on page 11 starts a very detailed analysis of all the 1865 ^I think said 165 CIP projects and phases that we have going and you can see very accurately how much was budgeted, how much has been spent, and how much is currently encumbered and how much is available for each particular CIP project and project phase. So that's available to you in this quarterly report. That's all I have to say.

CHAIRMAN TAKITANI: When might the workshop be scheduled, about what time frame are you looking at?

MR. QUINN: Usually towards the end of March. I know March appears to be a very heavy schedule for the board,

or early April.

MS. NAGO: You folks have meetings every week in March.

CHAIRMAN TAKITANI: Every week?

MR. CRADDICK: The public hearing.

MS. NAGO: You have a public hearing, you have the workshop with the Planing Commission, you have got your two regular meetings.

MR. HASHIMOTO: Can we go over those?

MS. NAGO: You have a regular meeting -- by the way, you folks got an annotated agenda and it's on there. But on the calendars, on March 9th you have your regular meeting, March -- is it the 15th? The workshop with the Planning Commission. The 23rd is your second regular meeting, and then on the 28th is the public hearing. We need quorum for public hearing, right? We don't need quorum for public hearing?

MR. FUKUSHIMA: No.

MS. NAGO: That's an evening meeting at MCC, the Sky Bridge facility.

MR. CRADDICK: That's with Molokai and Hana. Not Lanai?

MS. NAGO: No, not Lanai.

MR. STARR: Can we arrange for the public hearing at the Sky Bridge to be telecast on either the Akaku or the MCC channel?

MS. NAGO: That's up to you folks on who is going to pay for it, I don't know.

MR. CRADDICK: I will leave it up to Howard, that's a legal issue. I know the previous Corporation Counsel said we couldn't do that because those people that are listening -- I mean, it could be telecast later on, not live.

MS. NAGO: The notice went out already. There was no mention of Akaku, just Sky Bridge.

MR. STARR: You don't have to public notice to televise a meeting, a public meeting, that's insane. As far as I'm concerned, there should not be any legal problem with having it broadcast to the general public.

MR. CRADDICK: I'll leave it up to Corp Counsel there. We have got a new Corp Counsel now.

MR. FUKUSHIMA: I am not aware of any prohibition regarding the televising of a public hearing. I don't particularly see any problem if -- even if there's a later telecast of that same public hearing, if it may not be contemporaneous with the actual meeting, I am not aware of any legal problem with that.

MR. STARR: As far as I'm concerned, we are going to have a public meeting, and if it is going to be telecast to a select few people that happen to go to a certain place in Hana or a certain place on Molokai, and if the facility is there to telecast it to the general public as well, then it seems that in the spirit of openness we ought to televise it to the general public.

MR. CRADDICK: I think what the problem was, those people can't participate in the meeting and that's why Corp Counsel said it couldn't be telecast live.

MR. STARR: Anyway, Corp Counsel is saying there's no problem.

MR. FUKUSHIMA: I don't understand what you mean by that. People would be allowed to come to MCC to give testimony, so I don't see how you are preventing anybody from testifying, it's just making it more convenient for people in Hana and people on Molokai.

MR. CRADDICK: We are talking about Akaku, is what we are talking about, not the public hearing. We are talking about doing something other than the public hearing, that people don't have any ability to participate in the public

hearing, other than listening to it.

MR. FUKUSHIMA: If they wanted to participate, they could be present at MCC.

MR. STARR: In any case, I would like to see it televised, and if no other board members have a problem with that, I'd like to arrange to have it broadcast to the general public as well as to the other community centers.

MR. CRAVALHO: No cost to us?

MR. TAGORDA: If there's no cost, then it's fine. If it's going to cost us a penny, I'll be against it.

MR. STARR: The production staff is already there.

MR. CRAVALHO: Then go ahead.

MS. NAGO: So I am going to go ahead and type all the reqs and everything for Akaku as far as --

MR. CRADDICK: No, they said no cost.

MS. NAGO: No cost, okay. If there's no cost, then go ahead with it.

MR. STARR: I believe it won't be on Akaku, it'll be on the -- I forget what they call the MCC channel, that's what that studio is for, it's for live broadcasts on -- is that channel 12?

CHAIRMAN TAKITANI: The MCC channel.
Okay, any other staff reports?

MR. CRADDICK: Yes. I'll give a little update on North Waihee. The \$50,000 appropriation that the board gave, I had said that we were -- that none of that money was going to be able to be capitalized. What we did was, the booster pump up there, it was going to only be about \$2,000 difference between using old material and having new material brought in,

so we just did a bid for getting a brand-new pump and permanent installation, and I believe that was, I think it was around \$16- or \$17,000 that is new equipment and will be depreciated.

On the pump itself, we put the pump in, we had a problem and pulled a bunch of sand in and the pump had to be repulled out, so we don't have it operational yet. We expect that to happen probably in the next couple of weeks. But the pipeline and everything I think is in. We have yet to chlorinate the line and connect it to the line, that's about a 10-foot segment, but that's moving along to finish that off.

I had originally estimated about the end of January to finish that, and then we had a lot of rain in January and that stopped things. Then we had this problem with the pump, where it didn't operate properly and had to be pulled out.

CHAIRMAN TAKITANI: Are you speaking of the JV well?

MR. CRADDICK: No, North Waihee.

CHAIRMAN TAKITANI: What about the JV well?

MR. CRADDICK: The JV well, that should be getting a bid out within the next week or two.

MR. STARR: Did we remove the old pump?

MR. CRADDICK: No. What we did was we are doing a lump-sum mobilization with all the fishing tools, and then we have a by-the-hour cost for actually fishing, and then supply and install the new pump. What it was, was the costs were coming in too high to mobilize twice, and if the one person had the fishing and the supplying and installing of the new pump, they could do it -- just mobilize it one time.

MR. STARR: We had agreed to that a month ago, I'm surprised that that hasn't gone out already.

MR. CRADDICK: Well, it takes time to get that stuff out to bid.

CHAIRMAN TAKITANI: What about the Waikamoi pump?

MR. CRADDICK: The trestles have all been pretty much replaced and they're working on the flume, the actual box on top of the trestles right now.

MR. STARR: What had happened there?

MR. CRADDICK: It collapsed.

MR. STARR: What collapsed?

MR. CRADDICK: The flume.

MR. STARR: The support trestles?

MR. CRADDICK: Yes.

MR. STARR: At a point how high was that?

MR. CRADDICK: It's about 30 feet, I believe.

MR. STARR: And the whole thing came down?

MR. CRADDICK: Well, 80 feet of it came down.

MR. STARR: Was that due to the repair work or was that just due to rottenness?

MR. CRADDICK: I have my theory of why it occurred, and I can give you that.

MR. STARR: Please give us that.

MR. CRADDICK: What happened was when we replaced the top cover, it is quite strong and --

MR. STARR: That's why you ordered that five-quarter or six-quarter, instead of the three-quarter?

MR. CRADDICK: Well, I think it was an inch and a half, instead of one inch. But in any case, it is quite strong, and what happened is, when the water is coming down in it, because the flume is sinking in areas, some places of it become pressurized and all of a sudden one of these boards pops off the top and it floods over and undermines, some place where if it undermines it, the flume is going to drop. My feeling is that's what happened.

I can't prove it because there's too much damage there to prove what happened. But in any case, the trestle that it was going over was fairly rotten. Maybe not quite as much would have dropped had the trestle been in better shape.

MR. STARR: I'd like to get an engineering report on that, since it is a critical system.

MR. CRADDICK: You see in the engineering report, Jonathan, all the old stuff is removed, there's nothing to investigate anymore.

CHAIRMAN TAKITANI: What I was going to ask for, David, it seems to me we need to be looking at a longer term solution to the situation up there for water collection on that upper system. We see the flume deteriorating, we see more and more improvements having to be made. What's the long-term resolution?

MR. CRADDICK: We're looking to hire a carpenter and just work on it continuously until it's done.

MR. STARR: I'd rather we hire an engineer, find someone who will do it on a reasonable basis, and go and spend a day or two up there and give us a report on that. I think that's how we should proceed. Can we get that done?

MR. CRADDICK: I'm still not certain what you mean, Jonathan. What do you mean? The cost to replace the flume?

MR. STARR: No.

MR. CRADDICK: So what are you talking about?

MR. STARR: I'd like to have an engineering report on that flume. It's very simple. You hire an engineer and he goes in and says: this is rotten, that's good, this is undersized.

MR. CRADDICK: Jonathan, the whole thing is rotten, the entire foundation is rotten. It was put in in 1923. You don't need an engineer to tell you that.

MR. STARR: I'm sorry, when we have an essential asset and it's rotten, the first thing you do is you go have an engineer go and tell you what should be done with it.

MR. CRADDICK: It needs to be replaced. I'm a registered engineer. I'll tell you the entire foundation needs to be replaced.

MR. HASHIMOTO: Instead of hiring an engineer, we have in-house engineers who can do the job.

MR. CRADDICK: As far as getting a full cost estimate for doing the whole thing, if that's what you want, then we can get that. But the entire foundation of that flume needs to be replaced. The top was replaced in the early '70s, the foundation has never been replaced since 1923 when it was put in.

MR. STARR: Frankly, I would prefer to have a professional come in who does not have any vested interest with this thing and give us a proper report. In business, that's the way you proceed. I just don't see any reason to try to fool ourselves about this thing. Let's get a proper study of it done and a report and look at what we need to do. That system is essential to us.

MR. CRAVALHO: Mr. Chair, can we just take it under advisement and make a decision by next week?

MR. FUKUSHIMA: Perhaps put this on the agenda for decision making.

CHAIRMAN TAKITANI: Okay. We are looking at a long-term resolution to the problem. Do we need it to be a different system in there? Do we need copper tubes? What do we need, aluminum? What kind of a system do we need long term to ensure the viability of that collection system up there?

MR. CRAVALHO: Mr. Chair, that by itself, if one isn't careful, yeah, would add another layer of problems, okay. We have existing studies going on and projects going on in the upper dual line and the next section of the dual line in the lower area, and you have the upper line storage at Kahakapau, Waikamoi.

And what bothers me right now, if you have a dual system up above, where is that water going to come from, yeah, to take care of that dual system, number one. And simultaneously take care, if anything at all, on the domestic and other uses. So just looking at Waikamoi and that catch flume, yeah, is not necessarily by and of itself.

Let me just toss this out for consideration. I always come back to this Wailoa ditch to the consternation of many, but I think there's great merit to that. If the water is not collected up above and brought in fast enough for storage, it's going to flow down. To where? Okay. To where? Basically, Wailoa ditch, basically. That's why you have storage at Piiholo. And you are talking about additional storage at Piiholo, which makes a lot of sense.

So if we have it carved in rock the right of withdrawal, okay, come what may, come what may, the right of withdrawal, understanding full well that we are not collecting at the top level to the maximum, that it's coming down here, yeah, into your ditch. So when we say the right of withdrawal, it's really part of our water, not yours. And because part of this water is ours, it reduces what may be coming from you, your own property.

So when you look at this flow and you look at the flow that comes in from the state lands, the portion of A&B is greatly reduced. Greatly reduced. And that is why in the past we said, look, you tell us we're inefficient in the Board of

Water Supply, and I agreed with them many times, okay.

And you are more efficient, we are talking about A&B and East Maui. You're more efficient. Go ahead in Waikamoi, get a system for collection with your great efficiency, okay. Put it down to Wailoa or put it into our storage. You are more efficient, go ahead. That's the last we are going to remove from you.

So there is an incentive and it's based, yeah, on reality. It is based on reality, okay. That's what we have got to look at. And tie in somewhere along the line Mr. Craddick, others as well. If we factor in, we have never done it before, but we do factor in the withdrawals that A&B and the well system in East Maui, and there's nothing wrong with that.

But it is an existing and ongoing operation, and we need to factor that in, if need be, to meet the water needs and demands here, as well as the water needs and water demands generated by some of the development proposals of A&B. I have no problem with that.

You take land out of sugar, yeah, you're freeing up X thousand gallons of water per day in addition to the development of that land, where is that water going? Should it then be made available? I think if we look at these things in the cooperative spirit and everybody help out, we can solve it relatively easily.

Sometimes I think some of us we're trying to say, you know, what is mine is mine, and what is yours is mine, but than ain't so. Now, I think A&B and others need to realize what is theirs is theirs, but what belongs to the state doesn't belong to them, it belongs to the public. They're part of the public, they have to be protected. Sugar has to be kept.

But as they gradually take land out of sugar and free up water, that water then must be made available, yeah, for diversity, for development, for growth and for the entire needs of the community. It's reasonable. And my name is not Isaac Hall.

CHAIRMAN TAKITANI: I stand corrected.

MR. STARR: I have one more question for the director on this. What's the status of Waikapu?

MR. CRADDICK: The well is finished.

MR. STARR: What do you mean "finished"?

MR. CRADDICK: Finished.

MR. STARR: Finished means it's dead? Finished means we are getting water out of it? What does "finished" mean?

MR. CRADDICK: Finished means that the drilling contract is finished. The well is drilled and tested, cased, and next year the CIP will have money for the design of a pump station.

MR. STARR: So in other words, the well is available for use, we need to connect it to the system with pipes and pumps, is that correct?

MR. CRADDICK: Well, the system is right there, it's in a tank site, so we need a pump station there.

MR. STARR: Okay. And has it gotten health department approval?

MR. CRADDICK: I don't know if anybody has submitted a ^PER, I think ER for it. I don't believe that's been done. That would be done with the permanent pumping selection.

MR. STARR: So there's no pump in it?

MR. CRADDICK: No.

CHAIRMAN TAKITANI: It's roughly 2 million gallons?

MR. CRADDICK: That's what they tested it at. There's about a 2-foot drawdown at that rate.

MR. STARR: I have one other question. Are you testing for DBCP in the Haiku well?

MR. CRADDICK: Yes.

MR. STARR: When was the last time you tested it?

MR. CRADDICK: We test monthly. That's a health department requirement.

MR. STARR: What was the numbers?

MR. CRADDICK: 10 parts per trillion.

MR. STARR: That's in the Haiku well, and that was in January?

MR. CRADDICK: I don't think we have the January test results back yet.

MR. STARR: Was that in December?

MR. CRADDICK: I believe the last one I saw --

MR. STARR: Can you furnish us with your latest results, with a date of when the test was made and what the numbers were?

MR. CRADDICK: Okay.

CHAIRMAN TAKITANI: How do you disseminate that information? Do you disseminate it at all?

MR. CRADDICK: What we did was we mailed out a copy to the 400 people that were served by it and asking who wanted monthly reports, and six people reported back that they wanted monthly reports, so we sent reports to those people.

MR. STARR: What did you send them?

MR. CRADDICK: Sent them the information of the

water quality of the water coming out of the well.

MR. STARR: You sent them the reports that was before you started pumping it, right, that was your old data?

MR. CRADDICK: No. We sent them what was tested. I think the one we sent was from September, October of last year.

MR. STARR: Did the board get copies of that?

MR. CRADDICK: The letter or the report?

MR. STARR: Because I'm getting calls saying we got a report saying there's DBCP in our water. And I hadn't seen anything.

MR. CRADDICK: There is DBCP in the water.

MR. STARR: If you send out a report to the public, you should send it to the board so that we know.

MR. CRADDICK: Well, you know that. I mean, that's part of all the test results from the settlement.

MR. STARR: Please know the latest data we had gotten was before the pump was put into real operation, which was also ten, but I would like to be faxed and other board members, the latest figures that you have, and with the date on it of when the test was taken and what the results were.

MR. CRADDICK: Bob, one other thing too, we need to know the people who want to attend the AWWA convention in June. It's June 11th through the 15th, and right now I have got Orlando and yourself, and I think Jonathan said he wanted to attend. It's June 11th through the 15th. We need to know fairly quickly, because if we don't get the rooms, then you end up in Littleton, or some place like that.

CHAIRMAN TAKITANI: Any other reports? If not, we will move to item 10.

MR. CRADDICK: I know we did have one more. We had

a request that, I guess, on the Bureau of Reclamation, we have a grouping forum to do a statewide drought plan, and they were asking a board member to attend, and if a board member can attend that, it would be a good idea. It's the 24th, I believe, of March. No, the 28th and 29th.

CHAIRMAN TAKITANI: Okay. We will go to item 10. I apologize for the length of that meeting.

MR. RICE: Don't let it happen again.

MR. STARR: No lunch.

MR. CRAVALHO: Move that we adjourn this meeting.

CHAIRMAN TAKITANI: Moved by Mr. Rice and seconded by Mr. Cravalho that we end the meeting. All those in favor say "aye."

(Ayes.)

Opposed "nay."

(No response.)

We are adjourned.

(Whereupon the meeting was adjourned at 11:05 a.m.)

"By Water All Things Find Life"

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