

**UNIVERSITY OF HAWAII  
NOTICE OF EXEMPTION FROM CHAPTER 103D, HRS**

The President, University of Hawaii, is in the process of reviewing the request from John A. Burns School of Medicine, University of Hawaii at Manoa (Department/Campus) for exemption from Chapter 103D, HRS, for the following goods, services, or construction:  
Chilled seawater for the John A. Burns School of Medicine (JABSOM) central cooling plant system.

**Vendor:** Honolulu Seawater Air Conditioning, LLC  
(If known)  
**Address:** 1132 Bishop Street, Suite 1410  
Honolulu, Hawaii 96813

<b>Term of Contract:</b> (If known)	From: To be determined	To: To be determined	Cost: \$175,470.00 per month (estimated)
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<b>Direct any inquiries to:</b> Department: John A. Burns School of Medicine, University of Hawaii at Manoa  Contact Name/Title: Jerris Hedges, Dean, John A. Burns School of Medicine  Address: 651 Ilalo Street, MEB 223G Honolulu, Hawaii 96813	Phone Number: (808) 692-0899  Fax Number: (808) 692-1247
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Date Posted: April 11, 2017

Submit written objections to this notice to issue an exemption from Chapter 103D, HRS, within seven (7) calendar days from the date posted to:

Office of Procurement and Real Property Management  
1400 Lower Campus Road, Room 15  
Honolulu, Hawaii 96822

RECEIVED

REQUEST FOR EXEMPTION FROM CHAPTER 108D, HRS 17 A9:36

TO: OFFICE OF PROCUREMENT AND REAL PROPERTY MANAGEMENT

MANOA CHANCELLOR'S  
OFFICE

FROM: John A. Burns School of Medicine

(Department/Program)

Pursuant to APM Section A8.220, the Department requests a procurement exemption to purchase the following:

Description of goods, services, or construction:

Chilled seawater for the JABSOM central cooling plant system.

Estimated Cost: \$ See attached

(1) Explanation describing how procurement by standard competitive means is either not practicable or not advantageous to the University;

See attached.

(2) Details of the process or procedures to be followed in selecting the vendor to ensure as fair and open competition as practicable;

See attached.

(3) A description of the Department's internal controls and approval requirements for the exempted procurement; and  
Proposed Chilled Seawater Customer Agreement with Honolulu Seawater Air Conditioning (HSWAC) will be subject to review and approval by the JABSOM Dean, CFO, Director of Facilities Operations and Planning, and Chief Administrative Officer, and further review by the Office of the General Counsel and the Vice President for Budget/CFO, as well as authorization by the Board of Regents.

(4) A list of Department personnel, by position title, who will be involved in the approval process and administration of the contract:  
Jerris Hedges, Dean JABSOM  
Nancy Foster, CFO JABSOM  
Edward Ohlson, Director of Facilities, Operations and Planning, JABSOM  
Corinne Seymour, Chief Administrative Officer, JABSOM

Direct questions to: Jerris Hedges Phone: 692-0899

I CERTIFY THAT THE INFORMATION PROVIDED ABOVE IS TO THE BEST OF MY KNOWLEDGE, TRUE AND CORRECT.

Jerris Hedges, Dean  
Full Name of Principal Investigator, Department Head, or Administrator

Jerris Hedges APR 11 2017  
Signature Date

Corinne Seymour, Chief Administrative Officer  
Full Name of Fiscal Officer

Corinne H. Seymour 04/11/17  
Signature Date

APPROVED:  
Michael Bruno for David Lassner, Interim Chancellor  
Full Name of Vice President or Chancellor

Michael Bruno APR 11 2017  
Signature Date

FOR OPRPM USE ONLY

OPRPM COMMENTS:

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APPROVED  DENIED

[Signature] 4/21/17  
PRESIDENT, UNIVERSITY OF HAWAII DATE

Estimated Cost: \$175,470/month for the first year of service, based on the Capacity Charge Rate (starting at \$80/ton cooling x 1,415 tons of capacity) and the Operating Charge Rate (the sum of the Non-Energy Operating Charge Rate (\$0.0400) and the Energy Operating Charge Rate (\$0.051305)). The Capacity Charge Rate and Non-Energy Operating Charge Rate will be adjusted each calendar year, and the Energy Operating Charge Rate will be adjusted each month based upon fraction of the current monthly rate of electricity from the electric utility.

1. Explanation describing how procurement by standard competitive means is either not practicable or not advantageous to the University.

The buildings at the John A. Burns School of Medicine ("JABSOM") complex in Kaka'ako are currently being air-conditioned pursuant to a Chilled Water Service Agreement (the "BWS Agreement") dated 16 September 2005 between the University of Hawaii ("University") and the Board of Water Supply of the City and County of Honolulu ("BWS"). The BWS Agreement provides for the use of a deep seawater cooling system from two (2) deep underground source wells to provide for all of the University's cooling requirements at its JABSOM facilities. To provide the chilled water service, certain equipment was installed at the JABSOM central cooling plant building and connected to other buildings and equipment on the JABSOM site, as well to the deep seawater source wells and one underground injection well for the return water. The environmental sustainability of using a source of cold seawater in lieu of limited potable water for cooling by using conventional cooling towers was seen as a significant benefit of the BWS Agreement, in addition to projected savings in electrical costs.

However, the temperature of the seawater from the source wells has proven to be too high to allow for use of that seawater for cooling purposes. Consequently, although the primary air conditioning system for the JABSOM facilities is designed for using seawater, a backup system utilizing conventional technology involving cooling towers and employing potable water is being utilized to supply the air-conditioning at JABSOM.

Honolulu Seawater Air Conditioning, LLC ("HSWAC") is developing a district cooling system using chilled seawater from deep off-shore ocean sites to provide cooling for downtown Honolulu and Kaka'ako. The HSWAC project expects to begin construction within the next year or so, and there is currently an opportunity for the JABSOM facilities to be included in the system design without the uncertainties of available district cooling system capacity and cost at a later date, after the initial design is finalized.

It should be noted that the system design to convert the JABSOM central cooling plant building for HSWAC service would be minimal as the existing equipment that was installed at the building as part of the chilled service water agreement with BWS can be utilized for the HSWAC project. There will be costs associated with connecting the HSWAC system with the equipment at JABSOM, to include piping, valves, levers and controls, etc. However, these costs would be borne by HSWAC.

The University therefore desires to enter into an agreement with HSWAC to ensure the opportunity to obtain chilled seawater cooling for the JABSOM facilities when the HSWAC district cooling system becomes operational. This is intended to position JABSOM to achieve the sustainability and cost saving benefits that were expected, but have not been realized, from the BWS Agreement.

Given that the primary cooling equipment at the JABSOM central cooling plant building was specifically designed to use chilled seawater as an essential component of the air-conditioning system and aspects of the equipment can be utilized for the HSWAC project, it would be impracticable to utilize a different technology to provide cooling for the JABSOM facilities. Furthermore, the HSWAC district cooling system is currently the only chilled seawater cooling project being proposed for downtown Honolulu and Kaka'ako. Development of that project to its current status has involved a process of several years, with investment in predevelopment work of over \$20 million. Thus, it would be impracticable to engage in a standard competitive procurement of chilled seawater cooling services, as that process would in all probability not result in any vendor other than HSWAC being able to provide chilled seawater service in the foreseeable future.

Similarly, attempting a standard competitive procurement for chilled seawater service would not be advantageous to the University; as such, procurement would be time-consuming and impose additional expense, with little likelihood of producing another vendor to provide the desired services. Also, the ultimate design capacity and configuration of the HSWAC project will be determined within the next year or so, based upon customer commitments. The delay involved in engaging in a competitive procurement could result in a situation in which the HSWAC project would not have sufficient capacity or service connections to include the JABSOM facilities without design changes, the cost of which would in all likelihood have to be borne by the University.

For these reasons, it is neither practicable nor advantageous to engage in a standard competitive procurement for chilled seawater cooling services at the JABSOM facilities.

2. Details of the process or procedures to be followed in selecting the vendor to ensure as fair and open competition as possible.

Other than the BWS (through the BWS Agreement for the JABSOM facilities), HSWAC is currently the only vendor with a project to provide deep seawater cooling services in Kaka'ako. However, as previously noted, the BWS is providing cooling services to JABSOM through utilization of traditional cooling technology using potable water because seawater from its underground source wells is not cold enough to use for cooling purposes as intended. Consequently, there is little point in engaging in an open, competitive procurement for chilled seawater cooling services in this situation. Nonetheless, recognizing that the status of the BWS Agreement must be resolved before any agreement with HSWAC can be fully implemented, the University intends to work with the BWS to explore whether or not there is any reasonable possibility of

successfully obtaining chilled seawater cooling through the existing contract. For that reason, certain "opt out" provisions are included in the agreement with HSWAC that will enable the University to not proceed with participation in the HSWAC district cooling system if continuing the BWS Agreement is ultimately deemed to be preferable.