

Memorandum



Date: October 31, 2014

To: Honorable Chairwoman Rebeca Sosa
and Members, Board of County Commissioners

From: Carlos A. Gimenez
Mayor 

Subject: Hialeah Water Plant

Attached for your information is the most recent update on the status of the Hialeah Water Plant. The report is provided by the City of Hialeah, which holds and manages the design/build/operate contract for the project. I have met with Mayor Carlos Hernandez, his staff, and our Water and Sewer Department staff regarding the status of the project, and we are in agreement that the various defects in components of the Plant must be addressed by the contractor to the satisfaction of the City and the County before the project is accepted. Currently, the Plant test is partially through the required fourteen day "acceptance test." Subsequent to completion of the test, the contractor will submit documentation of the outcome for review by the City and the County, and appropriate decisions will be made based upon that information. Fortunately, as a result of our successful water conservation program, we have adequate water supplies to meet our needs from our existing water supply sources. In the future, the water from this Plant will be important to meeting new demands in the northwest portion of the County as that area further develops.

Additional updates regarding the Water Plant will be provided as the process continues. Bill Johnson, Director, Water and Sewer Department, is available to answer any specific questions you may have.

Attachment

c: Jack Osterholt, Deputy Mayor
Bill Johnson, Director, WASD

MEMORANDUM

Date: October 30th, 2014

To: William Johnson, Director
Miami Dade Water and Sewers Department (MDWASD)

From: Armando Vidal, P.E., Director
City of Hialeah Public Works Department

CC: Mayor Carlos Hernandez, Mayor Carlos Gimenez, Mary Cagle, Alina Tejeda Hudak, Lorena Bravo, Joe Sullivan, Robert Cuevas, Luis Aguiar, Ralph Terrero, Sunil Shivanan, Joe Dysard, William Rathbun, Peter Liu, Patra Liu

Reference: Hialeah RO Water Treatment Plant (the Project) - Status Report Update as of October 30th, 2014

On August 22, 2014 you received my status report for this Project. The City has submitted previous status reports as of March 4, 2014 and June 19, 2014. On July 1, 2014, MDC Mayor Carlos Gimenez submitted a status report to the Board of County Commissioners as requested by the Infrastructure and Capital Improvement Committee during their June 10, 2014 meeting. My earlier memoranda discussed the status of the Project from inception to that date; the purpose of this report is to update my memorandum of August 22, 2014 and summarize all activities that have taken place since that time. October 28th, 2014 is the one-year anniversary of the dedication of the plant and start of the commissioning phase of the project.

1. The Company is currently performing the Acceptance Test having not met its previous commitment to achieve Acceptance by June 21, 2014. The Company is responsible for all power and other operating costs and all costs of repairs and will not be entitled to its Service Fee until it actually achieves Acceptance. The Company is currently delivering finished water to the City and County free of charge.
2. On August 29th, 2014, the Company submitted information to the City notifying the City that the plant was ready to deliver water into the distribution systems and requesting to re-start the Acceptance Test. That information was transmitted to the FDOH for their review and approval. MDWASD also received copies of the submittal to the FDOH. The FDOH granted permission to re-start the plant on August 29th, 2014

at 2:10 PM, and the City granted permission to the Company to re-start the Acceptance Test on the same day at 2:25 PM. The Company experienced several shut-downs of the plant during this period for low suction pressures from the wells and systems failures of communications between the controls and RO Skid #1, among other factors. The Acceptance Test was stopped in consultation with the Company recognizing the need to address the outstanding issues.

3. On September 11th, 2014, the plant experienced a hazardous material chemical spill of caustic soda (sodium hydroxide). The spill material was subsequently discharged by plant personnel to an outside open ground area on the South side of the building. The spill was reported by the City to MDRER and the Hialeah Fire Department. The Company started remedial and cleanup actions on September 16th, 2014.
4. On September 14th, 2014, while the plant was producing 5.0 MGD of finish water and sending 1.5 MGD to each of the Hialeah and the County systems, the Company continued to work on the issues that caused the failure of the previous Acceptance Test. RO Skid #1 was repaired as of this time; however, RO Skid #6 had failed and was under repairs. The Company continued to work with their SCADA sub-contractor, Revere, to review the SCADA communications operations and implement the required fixes. The City and the County continued to receive finished water from the plant until September 17th, 2014.
5. On September 16th, 2014, the City, MDWASD and the County OIG met with the Company (Inima and AECOM) at the request of the Company to discuss a final resolution to Service Contract Amendment #2. During the meeting it was agreed that both the City and the Company were to account for the value of the City claims for the Company's failure to meet the contractual deadlines, determine the value and quantity of beneficial water produced by the Company and distributed to the City and County and adjust the previously agreed settlement amount. It was subsequently determined, that MDCWASD received \$404,447.41 and the City received \$318,415.38 of beneficial water during the period when finished water was delivered to the customers for consumption. A final settlement amount will account for the Company claims against the City, as offset by the City claims against the Company for Company delay in achieving Substantial Completion and Acceptance.

6. On September 17th, 2014, plant personnel informed the City and the County that they were experiencing high turbidity readings in the finished water and decided to shut the service to both distribution systems. Both City and County closed our interconnections to the plant.
7. As of September 19th, 2014, the bio-filters (scrubbers) were working at their design rate of 99%. The Company informed us that the filters are now operating at the required levels and has submitted the required manufacturer certifications, satisfying the final condition necessary for the achievement of substantial Completion under the Service Contract.
8. On September 24th, 2014, the Company continued to work on the necessary repairs to the plant, which included working with the City Fire Marshal to implement repairs to the AHU in the chemical rooms to insure that the environment of the room remains safe and that the evacuation provisions were working as expected.
9. On September 26th, 2014, the City consultants met with the Company (Inima and AECOM) to discuss the Intermediate Transfer Pumps. These pumps (3 pumps, two in continuous service and one on stand-by) continued to experience excessive vibrations during operations and high temperatures well beyond the levels recommended by the manufacturer when operating in automatic mode. The pumps, designed to operate in automatic mode, are currently operating in manual mode. The Company hired a vibrations specialist to study the operations of the pumps and recommend permanent fixes. We are waiting for the final results of their investigation. Since the pumps are currently working in manual mode and the repairs are expected to be a long lead item, the City and County have agreed to allow the Company to proceed into an Acceptance Test and perform permanent repairs to the pumps after the completion of the test. All costs of repairing the pumps will be borne by the Company.
10. On September 30th, 2014, Mayor Carlos Hernandez held a meeting at City Hall with City representatives and City legal counsel; also present were representatives of Inima-AECOM and their legal counsel. The purpose of the meeting was to discuss an amicable resolution to the Company and City claims, finalization of the terms of the proposed

Amendment #2 and the development of a plan that would allow the Company to proceed into an Acceptance Test based on the requirements of the Service Contract and Appendix 7.

11. On October 1st, 2014, the Company submitted to the City their proposal as discussed during the meeting of September 30th, 2014, defining what the Company considers would be acceptable conditions to the Company to run an Acceptance Test.
12. On October 3rd, 2014, the City responded to the Company outlining certain- "Acceptance Test Criteria Clarifications and Assumptions" (discussed and approved by MDWASD). The City also addressed a request by the Company to consider adjustments to the agreed upon Acceptance Test water quality parameters relating to Calcium Hardness and Total Hardness, addressed a company request to re-start the Acceptance Test on Monday October 6th, 2014 and discussed a final resolution to the Intermediate Transfer Pumps vibrations issues. Also in the morning of October 3rd, 2014, the Company experienced a major failure of the VFD (control systems) for the High Service Pump (HSP) #3 that delivers water to the City and County connections. Based on the City's Acceptance Test Criteria Clarifications and Assumptions, the City authorized the Company to proceed into the Acceptance Test with the clear understanding that the FDOH must authorize proceeding with the test and HSP #3 controls must be repaired before the re-start of the test.
13. On October 3, 2014, the FDOH re-authorized to City to re-start the Acceptance Test and introduce finished water into the distribution systems based on satisfactory laboratory reports submitted by the Company to the City and transmitted to the FDOH.
14. The latest certified laboratory results for water quality submitted to the City by the Company as required under the Service Contract show that the Company is meeting the contractual thresholds for water quality as outlined in Table 15-2 as amended for the Acceptance Test dated June 17th, 2014.
15. On October 8th, 2014, the Company submitted to the City a request to re-start the Acceptance Test on Monday October 13th, 2014 with the understanding that the HSP #3 controls would be repaired by the Company sometime after the start of the test. The Company also

requested consideration by the City of a "margin of error" for the laboratory measures of Calcium Hardness.

16. On October 8th, 2014, our consultants reported that the plant was not in their opinion ready for the re-start of an Acceptance Test due to several factors, including the fact that RO Skid #5 was not working and in need of repairs, HSP #3 controls had not yet been repaired and the lime transfer pump had a faulty seal. The Company informed our consultants that most, if not all of these items, would be repaired by no later than Tuesday October 14, 2014.
17. On October 9th, 2014, the City responded to the Company's request from the previous day and informed the Company that they had not yet responded to the City's proposal regarding the Acceptance Test Criteria Clarifications and Assumptions and that the City was ready to proceed into an Acceptance Test in accordance with those assumptions on Wednesday October 15th, 2014, recognizing that there are issues that needed to be corrected by the Company prior to the start of a test. The City also informed the Company that it will be required to meet the water quality parameters of June 17th, 2014, having found no basis to support a "margin of error" for Calcium Hardness.
18. On October 14th, 2014, the Company responded to the City's request of October 9th, 2014 accepting the City's conditions outlined for the performance of the Acceptance Test, including the City's Acceptance Test Criteria Clarifications and Assumptions. The Company has not been able to provide a specific date for the repairs to the Intermediate Transfer Pumps (ITP). All other repairs needed prior to the start of the Acceptance Test were completed during this period.
19. On October 16th, 2014, the Company officially started the Acceptance Test in accordance with the agreed Acceptance Test Criteria Clarifications and Assumptions per Appendix #7 of the Service Contract and the agreed upon water quality parameters of June 17th, 2014. Our consultants were on site to witness the Acceptance Test. Finished water is being introduced into the distributions systems, as approved by the FDOH, in increments until the full allocation of 3.75 MGD is introduced into each (City/County) distribution system. Again, the City and County are not paying for the finished water delivered during this period.

20. On October 20th, 2014, the Company received a Notice of Violation from MDRER because, as reported by the City, acid water from the bio-filter units was flowing into the open ground. The use of the bio-filters was immediately discontinued which placed the Acceptance Test on hold. After meeting with MDRER, the Company was authorized to construct a temporary containment area around the bio-filters and continue with the test. The Company officially re-started the Acceptance Test on October 23rd, 2014, in accordance with the agreed Acceptance Test Criteria Clarifications and Assumptions per Appendix #7 of the Service Contract and the agreed upon water quality parameters of June 17th, 2014. The Company is required to run the test for 14-consecutive days. Our consultants remain on site to witness the Acceptance Test. Finished water continues to flow into the distributions systems at the full allocation of 3.75 MGD each (City and County). Assuming the test is successfully completed, all outstanding repairs, including the ITP repairs, will be included in the Project's final punch list. Under the Service Contract, the Company will have to complete all remaining repairs (punch list items) within 180-days of Acceptance in order to reach Final Completion and receive final payment, including final release of the retainage. In the event the test fails any time prior to the end of the 14-day test period the City and County will confer regarding the status of the contract.
21. On Saturday, October 25th, 2014, the Company shut-off the bio-scrubbers because acid water mist from the units continued to flow into the open ground and outside the temporary containment area. The City and consultants reported the condition to MDRER and MDWASD Saturday morning. The County stated they would send an inspector the following Monday, October 27th, 2014. The Acceptance Test continued while the City waited for the County environmental inspector to respond. The Company re-started the bio-scrubbers at 7:30 pm after installing a temporary repair in an attempt to stop the mist of acid water from reaching the open ground. These issues do not appear to have impacted the ability of the plant to meet the water quantity or quality requirements of the Service Contract.
22. On Sunday, October 26th, 2014, the Company completed the temporary repair to the bio-scrubbers. The MDRER inspectors visited the site on Monday, October 27, 2014 and informally reported that the

containment appeared to be working as intended. Subsequently, MDRER, provided the City with a letter dated October 30, 2014, stating that the containment system authorized by MDRER was a temporary measure to allow the Acceptance Test to continue until November 7, 2014 and requiring remedial action and a permanent solution to the discharge issue following completion of the Acceptance Test. MDRER did not issue a new notice of violation or require any shutdown or curtailment of the bio-scrubber system or the Acceptance Test.

23. On October 29th, 2014, Mayor Carlos Hernandez and Mayor Carlos Gimenez met to discuss the current status of the Project and discussed options available to the City and County. Both Mayors agree that the Company must fully meet the requirements of the Service Contract

Once again, this memorandum updates my previous report of August 22, 2014. It is important to note that the MDC IG requested on August 4, 2014 the backup documentation to Inima's claim from the Company. This information was submitted by Inima on September 23rd, 2014. If you have any questions or desire additional information please do not hesitate to call on me at (305)-556-3700.