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RUSS K. SAITO
COMPTROLLER

SANDRA L. YAHIRO
DEPUTY COMPTROLLER

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

STATE PROCUREMENT OFFICE
STATE OF HAWAII

ICSD 10.0055

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

February 1, 2010

MEMORANDUM

TO: Aaron Fujioka
Chief Procurement Officer

FROM: Russ K. Saito
State Comptroller

A handwritten signature in cursive script that reads "Russ K. Saito".

SUBJECT: Reconsideration of Amendment to Exemption for P.E. No. 07-048-J/D

Your approved Notice of Amendment to Exemption from Chapter 103D, HRS, Contract, P.E. No. 07-048-J/D, to provide long distance telephone services has been received and we are requesting that the approved period be changed from 6 months to 12 months.

At the start of the exemption process, Sprint was asked for an extension of up to 12 months, so that the new contract could begin as soon as the RFP solicitation was completed. However, the shortest extension that Sprint could offer was 12 months. After receiving the six-month extension approval, another request was made to Sprint for a six-month period. In a letter dated January 19, 2010, Sprint stated that 12 months was the shortest period that it could offer (see attachment). Therefore, an extension from January 1, 2010 to December 31, 2010 is being requested on P.E. 07-048-J/D.

Since an extension was not mutually agreed to, three alternatives were considered:

1. Proceed without an extension. There are approximately 1,902 accounts with Sprint that will not be paid in January 2010 because there is no price list. Each account (department, jurisdiction, and county) will need to conduct a separate procurement for long distance services. As each procurement will not benefit from the State's combined volume of long distance calling, rates will likely be much higher than \$0.03 per minute for interisland and interstate calls. For example, Sprint's standard rate is \$0.13 per minute for interisland calls and \$0.10 per minute for interstate calls, or they could charge casual calling rates of \$0.31 per minute or higher.

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2. Switch to another long distance carrier. Another exemption would be needed to negotiate with other long distance carriers. After a long distance carrier is selected, the estimated cost for just the Hawaiian Telcom conversion work is between \$60,000 - \$150,000 because we have approximately 30,000 numbers. In addition to the conversion costs, we will likely receive a higher rate than our current \$0.03 per minute for interisland and interstate calls.
3. Approve an extension for 12 months. This will not result in increased interisland, interstate, international, toll free, and other rates for our State and county customers. Also, this will avoid the conversion costs and the need to conduct additional procurements. Meanwhile, we will expeditiously issue, evaluate, and complete the installation of RFP-10-005-SW.

In conclusion, reconsideration of the Notice of Amendment to Exemption from Chapter 103D, HRS, Contract, P.E. No. 07-048JD, approval from 6 months to 12 months is being requested.

Attachments

CPO COMMENTS: This PE No. 07-048-J/D is approved till 12/31/10.

APPROVED DISAPPROVED

Aaron Fujioka 2/2/2010
Chief Procurement Officer Date



Sprint
925 Dillingham Blvd.
Honolulu, HI 96817
Office: (808) 847-9520 Fax: (808) 847-9118
Scott.s.inamine@sprint.com

Scott Inamine
Implementation Project Manager

January 19, 2010

Ruth Yamaguchi
State Procurement Office
1151 Punchbowl, Rm. 416
Honolulu, HI 96813

Re: Request for Contract Extension. IFB-02-096-SW for Long Distance Services

Requests for Contract Extensions are offered at a minimum of 12 months not because of a legal or regulatory requirement, but because the financial models used to offer agreements are based on 12 month increments.

Because Sprint must pay interconnect fees to the LEC on a 12 month lease basis for both customer to Sprint dedicated circuits and from customer to LEC to Sprint interconnect access. All term agreements are calculated based on the costs and profitability of providing service across an uninterrupted 12 month term. If a sub-12 month Contract Extension is offered to a customer, it must be cost justified with Sprint Pricing and Contract Administration because Sprint is still liable for a full 12 month of LEC interconnect access whether the customer renews or terminates their agreement with Sprint.

In reference to the current State of Hawaii Contract with Sprint for long distance services, the amount of access required to provide service is very large and the Account Team could not justify a shorter Contract Extension term than 12 months.

Mahalo,

Scott Inamine



OFFICE 18 P3:27

STATE PROCUREMENT
NOTICE OF AMENDMENT TO EXEMPTION FROM CHAPTER
103D, HRS, CONTRACT

STATE PROCUREMENT OFFICE
STATE OF HAWAII

1. TO: Chief Procurement Officer

2. FROM: DAGS/ICSD/TSB

Department/Division/Agency

3. Name of Contractor: Sprint Communications, L.P.

4. P.E. Reference No. 07-048J

5. Description of goods, services, or construction:
 Providing Long Distance Telephone Services for Hawaii State Government (as provided for in Contract No. PL-03-19 and IFB-02-096-SW).

6. Scope of work for the contract is revised as follows:
 To extend the term of the contract from January 1, 2010 to December 31, 2010.

Original Contract Price: \$ Price List Amended Contract Price: \$ Price List

7. Reason: This / These amendment(s) are necessary because:
 See Attachments 1, 2, and 3.

8. Direct questions to: Christopher Lai Phone: 586-1930 x617

Agency shall ensure adherence to applicable administrative and statutory requirements.

9. Pursuant to § 103D-102, HRS, and § 3-120-5, HAR, I certify that the information provided above is, to the best of my knowledge, true and correct

Chris K. Lai 9/18/09
 Department Head Date

Reserved for SPO Use Only

10. Date Posted: 9-18-09

11. Submit written objections to this notice of intent to amend a procurement exemption contract within seven calendar days or as otherwise allowed from the above posted date to: Chief Procurement Officer
 State Procurement Office
 P.O. Box 119
 Honolulu, Hawaii 96810-0119

Chief Procurement Officer's Comments:

This approval is granted and conditioned based on the following schedule: solicitation released third week of January 2010; proposals due end of February; award to be posted by April 30th; and contract start by July 1, 2010. SPO has agreed to provide procurement services with the understanding that the above schedule will be followed. Approval is for the period January ¹ 2010 to June 30, 2010. *dkk*

12. APPROVED DISAPPROVED

Clara J. J... 12/23/09
 Chief Procurement Officer Date

13. P.E. No. 07048-J/D
Am. 3

ATTACHMENT 1

This contract provides State and County users with interstate, international, interisland, toll free (800), ISDN BRI, and calling card long distance services. The current exemption extends the contract until December 31, 2009.

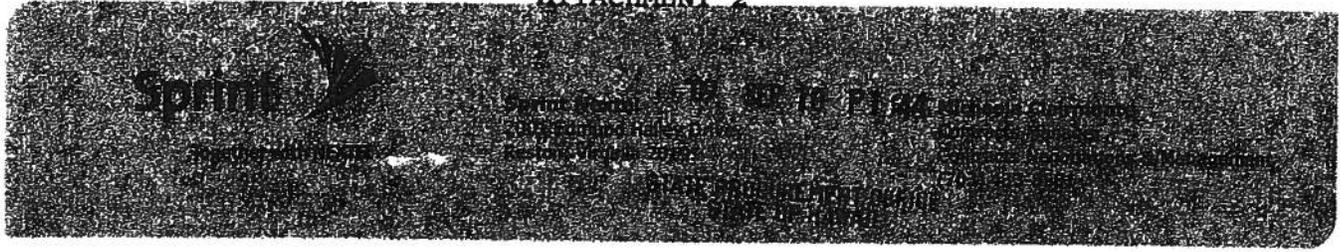
Sprint Communications, L.P. (Sprint) offered to extend the existing contract for a 12-month period, from January 1, 2010 to December 31, 2010 (see Attachment 2), with no change in long distance rates. Also, Sprint proposed to update the Schedule C taxes, fees, and charges to reflect current rates.

A Invitation for Bids (IFB) No. IFB-07-008-SW, to provide long distance telephone services for Hawaii State Government, was issued on August 2, 2006. Initial proposals were received on October 11, 2006. Four rounds of clarification questions and revised proposals followed. The evaluation committee met on August 29, 2008 to evaluate the two technical proposals. One technical proposal was found to be acceptable and the other unacceptable. It was recommended to the State Procurement Office (SPO) that the acceptable Offeror submit a Phase II – Priced Bid and the unacceptable Offeror be notified that it was ineligible to participate in Phase II. No official action on the recommendation from the Evaluation Committee was taken.

On August 3, 2009, 11-months after the Evaluation Committee's recommendation, SPO issued a Notice of Cancellation for IFB-07-008-SW (see Attachment 3). The IFB was cancelled due to the extended length of time since the solicitation was initially issued, the possible technological changes needed to update the Offeror's proposals, and the subsequent down turn in the Hawaii economy.

It is recommended that the 12-month extension and Schedule C rate changes be accepted. The extension will allow for a new solicitation to be issued and completed. Without the extension, State departments and agencies, the Legislature, the Office of Hawaiian Affairs, the County of Hawaii, the County of Kauai, the County of Maui, and certain elements of the University of Hawaii may be forced to pay commercial or casual calling long distance rates, that are significantly higher than present contract rates. For example, the State currently pays three cents per minute for an interstate long distance call. The commercial rate is approximately eight cents per minute and the casual calling rate is about 31 cents per minute.

ATTACHMENT 2



September 3, 2009

Ruth E. Yamaguchi
State Procurement Office
1151 Punchbowl Street, Room 416
Honolulu, Hawaii 96813

Re: Request for Contract Extension – Contract No. IFB-02-096-SW for Long Distance Services

Sprint Reference: #BSG0908-0708 Amendment to #BSG0206-122

Dear Ms. Yamaguchi,

Sprint Communications, L.P. ("Sprint") hereby provides notice of its desire to extend the term of the Hawaii State Government Contract No. IFB-02-096-SW ("Contract") for Long Distance Telephone Services for the State of Hawaii for an additional twelve-month renewal period ("Renewal Period").

For the Renewal Period, the current pricing list will be extended during the term identified above. In addition, Sprint is requesting the tax and surcharge table in Schedule C – Other Charges be replaced with the following information:

<u>Interstate Usage</u>	<u>Rate</u>
1. Universal Service Charge	12.9%
2. Federal Regulatory Recovery Fee	2.02%
3. Carrier Property Tax Allocation Surcharge	2.43%
4. State Gross Receipts Tax	1.91%
<u>Intrastate Usage</u>	<u>Rate</u>
5. Public Company Tax Surcharge	4%
6. County Public Service Company Surcharge	1.885%
7. Regulatory Fee	0.25%

Please Note: Schedule C tax rates are subject to change at the sole discretion of Sprint Communications, L.P.

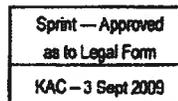
All other terms and conditions in the Contract, not amended above, will remain in effect.

Should you have any questions or concerns in this matter, please contact, Alex McIntosh at (808) 847-9656 or Alexander.K.McIntosh@sprint.com.

Sincerely,


Michaela Clairmonte

Manager
Contract Negotiations & Management
Sprint Nextel



ATTACHMENT 3

**STATE OF HAWAII
STATE PROCUREMENT OFFICE
HONOLULU, HAWAII**

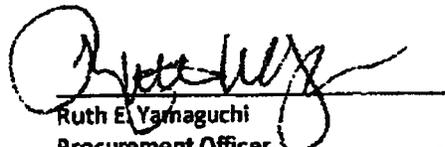
AUGUST 3, 2009

**NOTICE OF CANCELLATION
INVITATION FOR BID
IFB-07-008-SW
TO PROVIDE LONG DISTANCE TELEPHONE SERVICES
FOR HAWAII STATE GOVERNMENT**

Pursuant to Chapter 103D-308, Hawaii Revised Statutes, and Chapter 3-122-96(2)(G), Hawaii Administrative Rules, the subject IFB is hereby cancelled.

On August 2, 2006 IFB 07-008-SW was issued to the public, however, due to the extended length of time since the solicitation was initially issued, the possible technological changes needed to update the offeror's proposals, and the subsequent down turn in our economy, the State has determined that in the public's interest, the above-referenced solicitation be cancelled and re-solicited.

The service requirements shall be reviewed and revised; and a new solicitation shall be issued in the near future. Interested vendors should contact Kevin Takaesu, phone 808-586-0568 or kevin.s.takaesu@hawaii.gov for status update.


Ruth E. Yamaguchi
Procurement Officer