



CONSOLIDATED COMMISSION ON UTILITIES

Guam Power Authority • Guam Waterworks Authority
P.O. BOX 2977 • Agana, Guam 96932

**GUAM WATERWORKS AUTHORITY
REGULAR BOARD MEETING**
GWA Conference Room
Thursday, November 17, 2005, 5:00 p.m.

MINUTES

II. CALL TO ORDER

The Consolidated Commission on Utilities met in a regular meeting on November 17, 2005. There being a quorum, Chairman Simon Sanchez called the meeting to order at 5:35 p.m. It was held at the Guam Waterworks Authority conference room and the following were in attendance:

Commission:

Simon Sanchez	Chairman, CCU
Tom Ada	CCU Vice-chair, GWA
Benigno Palomo	CCU Vice-chair, GPA
Gloria Nelson	Secretary

Management:

John Benavente	GM, Consolidated Utility Services (GMCUS)
David Craddock	GM, Guam Waterworks Authority (GMGWA)
Danny Santos	Asst. GM, Consolidated Administration
Randy Wiegand	Chief Financial Officer (CFO)

Staff:

Sam Taylor	Staff Attorney
Brent Russell	DRC
Beiney Sadler	DRC/Wastewater
Ron Topasna	DRC/Water Treatment
Ed Taimanglo	DRC/Disinfection
Paul Kemp	DRC
Elaine Cruz	Administrator, Human Resources
Prudencio Aguon	Production & Treatment
Inas Mesngue	Umatac/Merizo Treatment Plant
Mark Miller	Manager, Production & Treatment
Tony Chargualaf	Manager, Water & Wastewater
Yvonne Cruz	PIO (Acting)
Don Antrobus	Chief Engineer
Doris Young	Executive Office
Lou Sablan	Special Asst., CCU

Media:

Katie Worth	Pacific Daily News
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Guests:

Joaquin Flores	GM, Guam Power Authority (GMGPA)
Francis Iriarte	GPA
Jennifer Sablan	GPA
Sylvia Tumaneng	GPA
Jorge Camacho	Resident
Sabina Perez	Concerned Citizen
John Robertson	Guam Contractor's Assn.
Paris Blas	Resident

II. APPROVAL OF MINUTES

1. October 18, 2005

The Minutes of October 18, 2005 was presented for approval. Comm. Nelson motioned to approve the Minutes subject to verification and written correction. Comm. Palomo seconded. With no discussion or objections, the motion carried.

III. GM(CUS) REPORT

1. Private/Public Partnership

The GMCUS presented the Commission with a power point presentation: "GWA: Entering into a Public Private Partnership" (copy provided Master File). The 57 page document entailed a brief history of GWA's strengths and weaknesses, past privatization efforts and his proposed recommendation for a hybrid form of privatization – Performance Management Contract or PMC. This model has proven successful with GPA's generation plants: MEC, TEMES, PRUVIENT and DOOSAN. He explained the PMC concept and its overall benefits. This is a scenario where a management team would be contracted to manage two (2) distinct areas of GWA operations, namely water production/ treatment and wastewater treatment, using GWA employees. The contract would be performance based which means that the contractor must meet and maintain specific performance standards in order to get paid or be penalized for non-compliance. It would also ensure that the employees are provided with the necessary training and tools necessary to run the plants efficiently and effectively. The GMCUS believed that this method would be the quickest way to improve the service and quality of water because it is a focused effort and would be responsive to GWA's immediate needs. He pointed out that another key to the success of the PMC is the ease of buying materials and supplies. The standard bureaucracy of government procurement would be eliminated instantly. The GMCUS also detailed potential savings and other benefits that would occur with a PMC.

At the end of the presentation, there was lengthy discussion regarding the pros and cons of a PMC from both management and staff. Some staff concerns mentioned included the fear that employees would lose their jobs; that the bond funds would be going to the PMC rather than projects; that in the past GWA never had the revenues to initiate needed projects to better the system. The recent passing of GWA's Bond Financing would now enable projects to be financed but not in the hands of GWA employees; the staff wants a chance to prove themselves and do the work in-house; another said that the PMC is a tool available to us and should be considered.

The public was also asked for their comments, if any. Sabina Perez, a concerned citizen voiced that she appreciates the PMC concept because of the training and procurement factor. However she cautioned against long term dependency.

The Commissioners also gave their initial responses: Comm. Ada said he found comfort that management has had some experience with the PMC model and likes that the procurement process would be circumvented. He also liked the economic incentives or penalties imposed for failure of the PMC to comply to standards imposed. Comm. Palomo said he needed more information as to why PMC. He said it is not just a money issue and that the CCU wants to be where GWA provides quality water and service at the least cost. Comm. Nelson said, at this point, she is neither for nor against but it is obvious that the employees don't understand the concept and this is not acceptable. She recommended more working sessions with them as well as the public. The Chairman said his foremost concern is the impact the PMC would have on ratepayers. He liked that PMC's would be rewarded for successes and penalized for poor performance.

The GM's comment was his distribution of GWA's wells operational stats report which showed that almost all wells were running at 100% and left it at that. The CFO said he believed that there would be some real trade-off decisions.

Because of the wide array of concerns, the consensus was that more discussions must take place with employees. The Commission felt that it was very important that a majority of employees buy-into the concept. They asked the GMCUS to go back to the employees and offer more details re PMC. It is important that employees be part of the solution; that they be united. Comm. Nelson also thought it was important to educate the public.

The Chair asked the GMCUS to make a meeting schedule for employee briefings to detail the pros ad cons of a PMC and allow them to ask questions. Comm. Palomo recommended that perhaps the GMCUS should also meet with public organizations such as the Chamber of Commerce or others. He also asked the Staff Attorney advise the Commission where to go from here.

Comm. Nelson motioned that the GMCUS meet with the employees to clarify concerns re PMC. Comm. Palomo seconded. There was no more discussion or objection and the motioned carried.

The GMCUS said that he would approach the employees in depth but suggested that at least (1) commissioner is present during his briefings.

At 8:05 p.m., the Chairman polled the Commission whether or not to recess the meeting or continue with matters needing approval. After some discussion, it was decided that there was nothing in the Agenda that had to be addressed immediately, inclusive of Executive Session.

The meeting was recessed until Tuesday, November 22nd at 5 p.m. and would begin with the GM (GWA) Report.

**GUAM WATERWORKS AUTHORITY
REGULAR BOARD MEETING
Of November 17, 2005 - Continued
GWA Conference Room
November 22, 2005, 5:00 p.m.**

The Chairman announced, for the record, that this meeting is the continuation of the CCU/GWA meeting of November 17, 2005. The meeting reconvened at 5:30 p.m.

Those present:

CCU:

Simon Sanchez
Tom Ada
Gloria Nelson

Executive Mgmt.:

John M. Benavente
Danny Santos – GMGWA (Acting)
Randy Wiegand

Staff:

Sam Taylor
Don Antrobus
Paul Kemp

Those absent:

Benigno Palomo – **Excused (off-island)**
David Craddick – **Excused (off-island)**

Yvonne Cruz
Elaine Cruz
Mark Miller

Media:

Katie Worth

Guest:

Sabina Perez – Concerned Citizen

IV. GM (GWA) REPORT

Mr. Danny Santos, Acting GM, presented the GM (GWA) reports in the absence of the General Manager who was off-island.

1. GM06-06 Approval of Vehicle Tracking System

The request to purchase a vehicle tracking system was presented. GWA has encountered some difficulty tracking their vehicles and this type of system would be a good investigative too.

Comm. Nelson motioned to give the GM the authority to investigate the feasibility of a vehicle tracking system subject to CCU final approval. Comm. Ada seconded.

In discussion, Comm. Ada was concerned that with GWA's limited funding resources, there are more significant needs and mentioned an effective SCADA system, or efficient dispatch as examples. It was mentioned that funding for the repair/upgrade of the SCADA system has already been addressed. He also mentioned that the cost to purchase the Vehicle Tracking System is well within the GM's authority and doesn't understand the need to bring it before the Commission. The Chair pointed out the perhaps the GM's intent is to garner the CCU's approval of the surveillance policy that a vehicle tracking system would implement by its very nature.

After more discussion, Comm. Ada (Vice Chair for GWA) said that he does not think a vehicle tracking system is needed at this time. With that said, Comm. Nelson withdrew the motion.

2. GM06-07 Approval of CFO Reorg

The Acting GM asked Mr. Paul Kemp to assist him with the intent of this request. He said that the GM wanted approval to restructure the current responsibilities of the CFO. The GM recommended that Mr. Danny Santos, the Asst. GM of Consolidated Administration handle Customer Service, Procurement and Information Technology (IT). There have been ongoing discussions with managers of the respective departments and feels confident that the reorganization will not cause any concern with staff. This move will allow the CFO to focus on rates and financial issues of the Agency.

The GMCUS said he is fine with the proposed recommendation. There was some discussion about how the change would affect the organizational chart. Currently the AGMCA reports directly to the CCU. With the proposed change, the GMGWA would like the AGMCA to report directly him relative to departmental issues. The GMCUS said he is comfortable with the proposed changes and supported the change in the organizational chart as well. After some discussion, it was decided that if approved, the Organizational Chart would be revised to reflect a solid line to the GMGWA with a dotted line to the CCU.

Comm. Ada motioned to approve the request by the GM to change the current responsibilities of the CFO by realigning the following departments currently under the CFO - Customer Service, Procurement and Information Technology to the AGMCA . Comm. Nelson seconded.

The Chairman requested that the GMCUS and AGMCA reconfigure the overall Consolidated Utility Services Organizational Chart for power and water (to reflect the new realignment of departments under the CFO and AGMCA respectively) for their review.

On the motion, there was no further discussion or objection. The motion carried.

V. PUBLIC COMMENTS (2 minutes per person)

For the record, Public Comments was entertained at the 11/17/05 meeting but placed in it's proper place in the Minutes.

Mr. Jorge Guerrero is a resident of Chalan Kotla, Dededo. He raised concern regarding his request for a water permit for his future home. His is a 12-inch water line but GWA refuses to allow him to hook-up into the system because there are too many customers already on the same hook-up. He wanted to know what he can do to get water to his house. The Chairman explained to him that there is little the CCU can do right now (they are between a rock and a hard place). The pipe is already servicing more people and to burden it with another would jeopardize the integrity of the system. If Mr. Guerrero was approved a permit now, he would be facing another problem later – low to no water pressure. The solution is that GWA is now in a financial position to help employees get the resources to upgrade the line servicing Chalan Kotla. It is not an overnight solution. It has required rate increases to be in this position but this is the only way that funds could be created to address problems such as this.

Mr. John Robertson, a member of the Chamber of Commerce and the Guam Contractor's Association addressed the Commission. He said he was at the meeting representing himself and not the Chamber of Commerce. He said the PMC presentation was excellent. He said he would like to reserve his comments until he gets more information from the GMCUS. Mr. Robertson also had other comments from a contractor's point of view. He ended by commending GWA for the improvements already made to the system.

VI. STAFF REPORTS

1. Production/Treatment (M. Miller)

This item was presented without discussion.

2. Collection/Distribution (T. Chargualaf)

This item was presented without discussion.

3. Compliance Report

a. Discussion with EPA

The chairman said that the CCU recently met with USEPA, Mr. Ben Macho and company. Comm. Ada said it was a positive meeting. USEPA acknowledge that there has been a lot of progress but were also quick to say that there is still a lot of work to be done. That being the case, the USEPA would continue to maintain strict monitoring to keep GWA moving towards achieving the standards and goals that have been established.

The Chairman also mentioned that the USEPA had two weeks to meet with GWA staff and asked Mr. Kemp to elaborate. Mr. Kemp mentioned two things. The first was the meeting between Brown & Caldwell and USEPA to describe the status of the Master Plan. This went very well. They accepted the fact that GWA is building a Master Plan that far exceeded the one designated by the Stipulated Order. They mentioned that they would not relinquish on the deadline but that they were satisfied with the work in progress. The second item was that Mr. Machol confirmed that GWA is in fact in compliance with the Safe Drinking Water Act despite that there are some mandates still pending. The GMCUS added that Mr. Machol made it clear that that while GWA is in compliance with the Safe Drinking Water Act it is still possible for GWA to fall out of compliance. He said there is still a lot of work to be done on the System, personnel and other issues to ensure reliability. The Chairman shared his insight over the USEPA visit. There seemed to be a circular argument between USEPA and GWA regarding recruitment of skilled personnel to do all the necessary work. GWA would say that staffing was sufficient and USEPA would question and stated that if this was true why is GWA behind on some aspects of the Stipulated Order. Management pointed out the difficulty of eliminating positions in Government even if skills were lacking. They expressed specific concerns that some of GWA filings are not as complete as GWA certifies such as O&M manuals. They mentioned that if GWA achieved compliance, sometimes it is just in time or is being certified but not as accurate or complete as GWA claims it to be. Another item mentioned was the lack of publicity regarding improvements within the utility. They stressed the importance of publicizing GWA's successes. There were many other debates that occurred and GWA must continue to be vigilant and proactive in keeping up with the mandates of the Federal Law and the Stipulated Order.

4. Financial (R. Wiegand)

The CFO reported that the first draft of the financials was reviewed last week. He encountered some problems which are being worked out. In the midst of all this, it became apparent that some of the expenses projected and issued with bond holders are higher than originally projected. He contacted UBS to ask if the variance is too big to move forward immediately. They confirmed that it was so Management has decided to revise the official statement that was issued. He mentioned that receivables grew substantially from July05 – September 05. He attributed this to the transitioning with the vendor reading meters. There are a lot of unread meters and this has impacted receivables. He said that USB spoke with a couple of bond rating agencies to determine how this would impact GWA's bond rating. USB was advised that there is still tremendous progress happening and the ratings previously given would not change. The official statement with the slight revision would be mailed Wednesday evening. Another investor call is scheduled for Wednesday morning 11/22. USB said 12/7/05 is still the target date to close. The Chairman asked if USB expressed any lack of confidence and the CFO said no.

The CFO also touched on the Bond Bank idea promoted through the Dept. of Interior to try to think of creative ways to get low cost money to the islands. The Federal government has said that the idea of a Federal Guarantee is not a consideration. The CFO said if there is no Federal Guarantee then this won't make sense for either Agency. The CFO is trying to work on a proposal. Mr. Machol mentioned that he has done all he could do from a Federal level and if it is GWA's desires to move forward with the idea of a Federal Guarantee on this funding and that the Governor would have to lobby on GWA's behalf. The CFO said he would create a brief / talking points and try to create some measures that would eliminate the possibility that any of the bonds would ever go into default so that the risk that the Feds would be taking would be near zero. There was mention of strict budgetary controls that must be adhered to before bonds would be issued and if the government is not in compliance then they would not be able to issue until they've got three years of history of being in compliance. Another thing mentioned was the possible plan to set aside some money yearly toward a sinking fund so that in the event a payment is missed, GWA would keep the investors paid, keeping the risk away from the Federal Government. The CFO said he would try to work on this and then bring it back to the CCU for consideration and then to the Governor for his consideration to reopen the idea of a Federal Guarantee for these funds. He said it would take an act of Congress to get this program in place but management will not get anywhere with out the US Administration's support. The Chairman said the Bond Bank is an interesting concept and would be extremely difficult and a long process.

5. HR Report (E. Cruz)

The HR report was presented without discussion.

6. Legal (S. Taylor, Esq.)

a. Approval of GTA Lease

The Lease is with GTA for property located in Agana Heights for a period of 1 year, renewed annually, effective December 16, 2005. GTA wanted to lease it for the purpose of deploying and maintaining a building for cellular equipment and an antenna. The contract included provisions for the use of cellular phones for GWA at no charge. The Staff Attorney requested the CCU to authorize the GM to enter into the contract with GTA.

It was mentioned that there were two previous leases related to this one. The first lease was similar to this one in that GWA would receive phones in exchange for the lease of the property. GTA was then sold and the lease was replaced with a lease that provided for a ten (10) year lease period for a \$1 per year whereby GWA was bound for 10 years. The lease presented today would replace the 10-year lease.

The Staff Attorney also noted that the lease under consideration has been pre-approved by the Guam Legislature. All leases for real property owned by GWA/GPA must be approved by this Body and this lease was approved in the Bill that allowed for the privatization of GTA. The GMCUS said he is in support of the lease and wanted clarification on the law that mandates approval of all leases by the Legislature. The SA said he would provide him a copy of the statute.

Comm. Nelson motioned to approve the lease to GTA for property in Agana Heights as noted in the lease (copy in Master File). Comm. Ada seconded. There was no further discussion or objection, the motion passed.

7. Chief Engineer Report (D. Antrobus)

The Chief Engineer (CE) presented his report (copy in Master File). The report listed projects with target dates. Some of these dates have been missed but will not change them. He would simply provide status updates. A couple of projects were reported as close to going out to bid. One is the outfalls and the second is the Sta. Rita project. These were delayed because the documents needed review and strengthening. The CE said that the Sta. Rita project is about a week of being released. The Chairman said the format of the report was a good one and especially liked the milestone feature it contained.

There was discussion regarding press releases. Comm. Ada commented that it is important to put a publicity piece together for each completed project so that people are aware. The cost could come from the \$250k Communication budget. GWA has to toot it's own horn.

Further discussion followed about the lack of publicity and public awareness campaign for various projects that are ongoing such as the residential meters. The GM was supposed to develop a plan to mitigate the \$400 cost for a new meter. Another issue related to meters is the valve issue that impacts 39,000 customers who need to know that they are getting new meters but that they have a role to pay. How can this be simplified. The strategy has to be well thought out and publicized.

The CE talked about several other projects – the Hagatna Treatment plant bid would proceed on Monday. He said there is a design element yet to be completed so it would be about 100 days before actual construction begins; the Stop Work Order for Chaot has been lifted – contractors have been back on site since Friday.

He briefed the Commission on a 2-in service line issue (a letter from a constituent relative to problems with his 2-inch service line was in the packet (copy in Master File). He said the letter is relative to an adequate service issue which is defined as the # of services can be put on a certain size line. *He said that he would like to put together a more adequate definition of adequate service in terms of fire flows and domestic service and then make recommendations on how to proceed at this time. This should be ready for CCU review in the next couple of weeks.*

There was discussion on agricultural subdivisions. The way the law is written, there is a lot of leeway for developers to go in under the guise of an agricultural subdivision and then put in a residential development and put in sub-standard utilities. The CE advised the permit section that connections of new lines less than 6 inches into these developments would not be accepted, even if they are an agricultural subdivision. He said he is not sure if this is legal but GWA must take a stance or substandard development would continue to experience problems in the future.

8. AGMCA (D. Santos)

The AGMCA presented the Commission with two documents: the GPWA Consolidation Plan and the Consolidated Utility Services Regulation. He said that for the past 6 months he has reviewed many different models of organizational charts and developed one that he thought served the needs of both agencies. The CUS regulation piece is based on the current organizational structure of GPA/GWA but more importantly defines the roles, responsibilities and relationships. Both pieces can be expanded based on future policy requirements and allows for flexibility. There were sample documents forms included in the handout.

He said these are working documents and not to be implemented for awhile. It would provide for a unified command structure for the GMCUS that would be responsible and accountable to the Commissioners. He asked the CCU to review and recommended to do a working session to define and revise the pieces. He asked that if the plan contained in the documents are in-line with their thinking, he would like to work with the GMCUS to develop a best case scenario.

The Chairman asked the Commission to take the handouts, review them for discussion at a later time.

VII. OLD BUSINESS – None

VIII. NEW BUSINESS

1. CCU/EPA Meeting

This was addressed in VI.3 above.

IX. ANNOUNCEMENTS

The Chairman set the next CCU meeting for GWA on December 6th and GPA on December 13th. He said there would be a brief appreciation ceremony for GPWA military reservist at the GPA meeting.

The regular meeting was recessed at 6:50 p.m. for Executive Session.

X. EXECUTIVE SESSION

1. Claim No. GC05-0034

Regular session reconvened at 7:50 p.m.

Comm. Nelson motioned to approve the government claim discussed in Executive Session. Comm. Ada seconded. There was no further discussion or objection and the motion passed.

XI. ADJOURNMENT

The meeting was adjourned at 7:55 p.m.

Attested by:


SIMON A SANCHEZ, II, Chairman


GLORIA B. NELSON, Secretary

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