



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
Tuesday, March 7, 2006, 5:00p.m.

MINUTES

I. CALL TO ORDER

The Consolidated Commission on Utilities met in a regular meeting on March 7, 2006. Chairman Simon Sanchez called the meeting to order at 5:15 p.m. It was held at the Guam Waterworks Authority conference room; 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 Craddick	GM, Guam Waterworks Authority (GMGWA)
Danny Santos	Asst. GM, Consolidated Administration (AGMCA)
Randy Wiegand	Chief Financial Officer (CFO)
Anthony Camacho	Legal Counsel, CCU
Sam Taylor	Staff Attorney

Staff:

Becky Balajadia	Customer Service
John Pangelinan	Meter Replacement Program
Mark Miller	Production & Treatment
Prudencio Aguon	Production & Treatment
Don Antrobus	Chief Engineer
Paul Kemp	Compliance & Safety
Anthony Chargualaf	Collection & Distribution
Art Perez	GPA

Guests:

Alan Searle	Alan Searle & Associates
Larry Mijates	Kusakabe Guam Inc.
Tanya Mendiola	Office of the Vice Speaker
Tara Taitano	Office of the Vice Speaker

II. APPROVAL OF MINUTES

1. February 28, 2006

The Minutes of February 28th was presented for approval. Commissioner Nelson moved to approve, seconded by Commissioner Palomo and passed without objection.

III. GM (CUS) REPORT – None

IV. GM (GWA) REPORT

1. GM 06-16 Request for Approval of Change Order #10 to the Meter Contract; Resolution 04FY2006

The GMGWA reported to the Commission that this request while it holds the same request number is different of that submitted on February 28, 2006. GMGWA asked for approval of Change Order #10 to the First Amended Contract for the Furnishing, Delivery, Installation of Water Meters and Automatic Radio Meter Reading Equipment and Related Software in the Amount of \$2,774,661.17.

GMGWA provided the breakdown of the total \$2.7 million and explained the need for each requested cost. A total of \$211,000 is requested for additional large meters to replenish inventory for new service meters and will be purchased at the bid price as allowed under the contract. A total of \$1,28,956 is requested to purchase an additional 12,000 meter boxes, extra meter box lids and locks and meter box pads. An additional \$29,357.50 and \$70,944.70 are requested to cover installation costs (that were not previously included in Change Order #9) of various size meter boxes. Lastly, \$744,832.22 is requested to downsize larger meters that can now be metered more accurately with the smaller radio read meters. He identified monies from the bond contingency and inventory to cover the cost of this requested change order and specified that no PUC approval is required.

GMGWA briefly summarized the previous change orders made to the existing contract. GMGWA stated he approved change order numbers 1 thru 7 and the CCU approved Change Order #8 in November 2005 and Change Order #9 in December 2005. The total change orders (inclusive of #10) cost \$3.4 million amending the total contract amount from \$12.5 million to \$15.9 million.

After stating his request, GMGWA responded to numerous questions from the different Commissioners regarding the repeated requests for change orders to the original contract. Commissioner Nelson inquired as to the need for multiple changes to the original contract stating there is implication that GWA doesn't now know what is necessary. Is there a problem with procurement? Is the contractor changing the price? GMGWA explained that the prices are locked in under the contract. GWA is changing the number of meters and meter boxes needed as identified with ongoing changeouts and installations.

Commissioner Nelson asked what downsizing of the meters would do for GWA and whether it would benefit GWA financially. GMGWA confirmed citing the new meters could now catch even the low flows that the existing larger meters could not, thereby allowing for more accurate readings with the smaller sized meters.

Again, Commissioner Nelson asked whether GWA knows specifically what is needed and whether more changes will be forthcoming. GMGWA indicated that more changes can be expected as cited in his written request.

Chairman Sanchez summarized for clarification that GWA is doing something not done before. Apparently, GWA has been weak in getting accurate data for analysis prior to issuance of the bid. Upon bid reviews, installations, and more field work, GWA has been gaining better data on what is actually needed in the field.

Commissioner Nelson requested clarification on the approval of the first seven(7) change orders by the General Manager and then the last two from the CCU. GMGWA explained the first seven did not exceed his

level of authority. Once the total change orders exceeded his approval authority, he brought changes before the Commission for approval. Legal Counsel Camacho confirmed GMGWA's explanation.

Commission Palomo stated his concerns that the number of change orders reflects that GWA did not know what was needed and how poorly GWA prepares contracts. He requested Legal Counsel to ensure that GWA is not finding ways to fund the purchases so other suppliers are not offered the opportunity. Legal Counsel Camacho said GWA is not finding ways to limit suppliers. The items in the requested change order are the same as provided in the scope of work of the original contract. This request is simply an increase in quantity

Commissioner Ada asked whether GWA has gathered sufficient information to "really put our arms around this". GMGWA confirmed that as far as materials he is confident and anticipates some for inventory at the end of the installation project. At the start of the project GWA has 2000 meter boxes in inventory and expects to maintain that level upon completion.

Commissioner Ada also asked whether the additional pieces and downsizing of meters will extend the project period. GMGWA said no. The contract period runs 700 days from July 2005.

Commissioner Ada went on to inquire about quality assurance check lists and workmanship of the contractors. He expressed concerns of complaints regarding some of the installations done to date. The concerns he cited include customers returning home to find no water as a result of turning a private control valve, or leaving behind excavated material for a day.

After a lengthy discussion on workmanship standards and the appropriate placement of those concerns can be placed, it was clarified that the Commission would approve the requested resolution that would authorize the General Manager to sign the subject Change Order.

With that clarification, Commissioner Ada requested that the issue of workmanship be cited in the proposed resolution. Chairman Sanchez indicated he would like to have it as a third "Whereas..." paragraph in the resolution so that the CCU can have it on record.

Commissioner Ada also requested that line 23 be changed to delete the word "discovered" and replace it with the word "determined". Other corrections to the resolution included a typographical correction on Line 9 in the amount reading \$2.744 million to \$2.774 million.

Chairman Sanchez read aloud the added verbiage of the resolution to include ... "GWA will clearly establish standards and guidelines in the matter of installation, testing and site cleanup/restoration to ensure all meters installed in a workmanship like manner, etc. so that the customer is assured the meter is properly installed." Legal Counsel instructed to make the amendments and present to the Commission for signature upon approval.

Commissioner Palomo moved to approve Resolution 042006 as amended. Commissioner Ada seconded, and the motion carried.

2. GM 06-17 Request for Approval of Resolution #05-2006 and Contract for Supply of Generators (GWA IFB 2005-21)

The GMGWA requested approval of Resolution #05-2006 for Contract for Supply of Generators. He corrected the amount as originally submitted from \$410,865 should read \$418,771 plus fuel costs (to test them before

delivery) to Morrico that is supplying Kohler generators. He explained that the generators are required of the stipulated order and will be used primarily for the smaller wastewater lift stations. These purchases will reduce the incidents of overflows that result from power interruptions.

Commission Palomo requested clarification on the Commission approving this purchase previously. Staff Attorney clarified that Commission previously approved the purchase of generators with the financing through MSG, which GWA never engaged. After numerous other delays, what is being presented is the culmination of the different efforts, and the bid process with the actual selection and contract for the purchase from Morrico.

There was other discussion to clarify that this purchase will meet the Stipulated Order and whether considerations regarding automatic transfer switches and a SCADA compatibility are included. GMGWA stated these generators are primarily for stations that don't even have buildings to house them.

Commission Palomo requested that Paragraph 2 Line 13 be changed to stated "to benefit the people of Guam / ratepayers of GWA..." as opposed to citing the court order.

Without objection to the amendment, Commissioner Nelson moved to approve Resolution 052006 as amended, seconded by Commissioner Ada and unanimously approved.

3. GM-6-18 Request for Approval of Land Purchase for Water Well

The GMGWA requested approval of fund for land purchase that was appraised at \$60,000 for one acre of land with a well site located on it. He explained that the property owner has accepted a conditional offer made to him subject to the Commission's approval. In addition to the information provided in his written report, GMGWA stated that only recently did he realize that GWA is paying for water from a well on Air Force property at a rate of \$2/kg plus the cost of power. The purchase of this property will allow GWA to develop the site and save money on water purchases.

The Chief Financial Officer reported that the purchase of this property was not budgeted and it would be necessary to reprogram funds from lapses from planned CIPs budgeted that will not be spent this year.

Commissioner Ada asked if there was ever a financial analysis of the money that would be saved from the \$2/kg. It was identified that GWA would save \$1.30/kg, which amounts to about \$160,000/year would be saved.

Without further questions or comments, the request was approved without objection.

Mr. Craddick asked if GM06-19 could be presented last. Commissioner Ada asked to skip directly to GM0621 and then go back, without objection from any of the Commissioners the agenda moved to item 6 of the GM Report.

4. GM06-21 Request for Approval of GWA Training Program Funds

The GM GWA requested approval of matching funds totaling \$153,700 for training. As the Board requested a comprehensive training program for entry level as well as higher level training for employees, GM GWA submitted an application for funding support to the Department of Interior Office of Insular Affairs Operation and Maintenance Improvement Program (OMIP). The application seeks Federal grant matching funds to help in the training of water and wastewater personnel.

GM GWA said this program has proven very successful in American Samoa and Guam would like to replicate it.

Without further discussion, the request was approved.

Before proceeding to the next item, there was brief clarification on whether to go into Executive Session to discuss the Earth Tech Buy Out, as recommended by Staff Attorney. Commissioner Ada requested that the Commissioners first dispose of Agenda Item GM06-19 and then move into Executive Session. Without objection, GM GWA proceeded:

5. GM06-19 GWA Curbside Valve Replacement

GM GWA requested approval to procure shutoff-valves and fittings estimated to cost approximately \$1.4 million to standardize installations of curb stops on GWA's side of the meter. GWA would need to replace all of its curb stop valves. GWA estimates a requirement of 19,500 valves and fittings. He stressed that this will not provide any excess for customers to purchase from GWA to replace the valves on their side of the meter. GM GWA suggested GWA purchase the full amount needed; inclusive of customer side in the event the CCU determines GWA will replace the customer's valve.

Legal Counsel clarified that the quantities are a business judgment at this point. The primary issue that needs to be addressed is the compatibility of the valves and fittings that are identified as justification for sole source procurement. However, the quantities and delivery time for each order may impact the price.

Commissioner Ada stated his concern that GWA not go back to the consumer premise multiple times. He stated he was under the impression that the Commission approved GWA presenting a program to customers to replace their valve and do a surcharge over 5 years for \$70.

After clarification on what exactly management was requesting, GMGWA stated that if the CCU determines that GWA will install customer valves, the request should be amended to reflect 39,000 valves and the amount likewise will reflect \$1.5 million.

Questions were raised concerning the need to obtain approval from the Public Utilities Commission (PUC) if GWA was to implement the customer shutoff valve program. Chairman Sanchez indicated that the program would need to be filed with the PUC however, considering that this is a revenue neutral program, we could probably file, start as we necessary pending PUC approval.

A lengthy discussion ensued regarding the customer shutoff valve program, cost and the process by which the CCU wanted to implement it. GMGWA clarified that the request was strictly for materials only, since the shut-off valves are not part of the meter procurement. The installation of those materials would have to be put out to bid.

He clarified that initially, KGI offered the \$70 price for material and labor. However, there are several issues that have since changed. Procurement of the materials under sole source is necessary because the meter contractor, Kusakabe, Guam Inc. (KGI) is the sole distributor for the Ford Meter Company. The packjoint fittings, ball valve curb stops and other accessories made by other manufacturers are not compatible and present excess leakage problems; Hence the request for sole source. The cost of installation of the customer shut-off valves will need to be put out to bid. Once the cost of installation is put out to bid, the cost of material and labor may change from the \$70.

Ongoing discussions on program details and options were stopped and the CCU tabled the issue requesting management to provide written clarification on the installation issues, and Legal Counsel provides written position on the sole source justification.

Without further discussion or objection, the CCU went into Executive Session at 7:56 p.m.

The CCU reconvened its regular meeting at 8:11 p.m. following Executive Session. Resuming agenda items:

6. GM06-20 Request Approval of the Earth Tech Buy-Out

GM GWA requested CCU approval of funds to buy out of the June 1998 Earth Tech Water purchase contract. The CCU previously approved negotiating the buy out and the negotiated price is \$5.9 million for the wells, pumps, generators, controls, pump station building and \$200,000 for all inventories, drawings and vehicles. He cited funding sources from the 2005 Bond for the \$5.9 million and inventory and vehicle funds will cover the remaining \$200,000. The purchase has received PUC approval.

Commissioner Palomo questioned the reliability of the wells following typhoons upon transfer to GWA stating that historically when GWA wells were down, Earth Tech wells continue to operate. He also questioned the availability of chlorine necessary to keep wells operating. GM GWA indicated that a change in the preparation for typhoons by switching off island wide power would probably address that concern.

Legal Counsel advised that the purchase be memorialized with a Resolution and the verbiage of the resolution can follow that of the written request.

Commissioner Palomo moved to approve the buyout of the Earth Tech contract, seconded by Commissioner Nelson and unanimously approved. It was noted that the verbiage of the resolution to be drafted by Legal Counsel and management should include historical information and savings derived by the purchase.

Without objection, the meeting was recessed at 8:30 p.m. and scheduled to reconvene at 1:00 p.m. Thursday, March 9, 2006 at the Guam Power Authority conference room.

MEETING RECONVENED:

The meeting of the Consolidated Commission on Utilities was reconvened on Thursday, March 9, 2006 at 1:35 p.m. by Chairman Sanchez noting that there were three commissioners present, himself Commissioner Ada and Commissioner Palomo. Commissioner Nelson called to advise she would be late. Commissioner Nelson arrived at 1:45 p.m.

Chairman Sanchez acknowledged the remaining agenda items to include staff reports and request to purchase shut-off valves.

V. COMMUNICATIONS – None

VI. STAFF REPORTS

1. AGMCA (D. Santos)

Tiyan Status - AGMCA reported that as of March 9, 2006 there were a total of 79 applications for water meters in Tiyan. They are going through the applications to cross reference name of accounts with Guam Power Authority data to identify discrepancies and follow through with verification. This is going to require special

treatment since they are not metered and GWA will be surveying the occupants. GWA has assigned two (2) customer service representatives to address Tiyan customers. Customers will all receive their first bill on Monday March 13, 2006.

Commissioner Ada asked what percentage of total residents have applied. AGMCA said he is not aware of the number of residents in the Tiyan area. GWA will have to go out and verify. Based on the information to date, there are some discrepancies that need to be clarified. For example, some occupants may have moved out

however service continues; names on water service applications and names on power service applications are not the same. GWA needs to sort out that information, visit the premise, etc.

There was a lengthy discussion on the historical issues associated with the Tiyan properties and prior efforts by GWA to communicate the intent to bill for water consumption. The discussions included meetings and notices on back billing, granting easements, tenants, landlords, etc.

Commissioner Palomo emphasized that in looking at the history of all the problem areas, despite GWA's best efforts to ensure appropriate and fair agreements and arrangements are made with consumers, GWA fails to communicate these efforts in the right way to minimize public criticism.

It was decided that the CCU would allow AGMCA to complete what he is working on and if the criticism continues, the CCU would revisit the need to call a news conference or plan a communications strategy to minimize negative publicity.

AGMCA also reported that there is one section of Lower East Sunset Blvd. where water applications are not being accepted due to the lack of adequate sewer. GM GWA clarified that those homes are below the sewer line and water service without the sewer will cause overflows into one individual's yard as it is now. GM GWA has talked to the Airport and will need to likewise talk to the police and corrections departments who are feeding into the system there. They could hire GWA to reactivate the sewer pump station that serves that area and GWA can deduct the materials and labor from what is owed to the airport. The sewer pump station is on this landowner's private property and allowing it to be used. The rules specifically state that before GWA takes over a facility on private property, the landowner will have to put the facility in working order.

Chairman Sanchez requested Counsel to look into Speaker Forbes assertion that the law passed in 2002 specifically states that all easements are retained by the government of Guam. Both the GM GWA and the Chief Engineer stated that although the law states that, there are no easements identified in the property maps.

Commissioner Ada brought it back to the topic of accepting facilities from private owners and the purpose of GWA's rules and regulations. The CCU should determine whether the rules and regulations are to be used as absolutes or as guidelines in policy development. Chairman Sanchez cautioned about how GWA opens the door for one, and then all future developers will try to apply the same concept. Commissioner Palomo said that considering all the problems at Tiyan, he discourages GPA and GWA from upgrading Tiyan properties until all issues are resolved.

The CCU then went back to further discuss issues regarding **GM06-19 Curb Stop Valve Replacement**. Chairman reminded the members that before recessing meeting Tuesday night, the CCU requested from Legal Counsel written justification on the sole source procurement. Legal Counsel stated he provided the signed documents with attachments that were circulated to the members via email earlier. He also stated the unit costs for the valves are provided Attachment A.

GM CUS asked why there are 2 valves before the meter. GM GWA clarified that the curb stop valve is underground and is necessary to do work on the meter box from time to time. GM CUS asked which of the valves is to be sole source. GM GWA clarified it is both GWA's and the customer valve stating the meter box is a pack-joint valve. There was lengthy debate on the need for multiple valves, and the specialized joints being purchased. GM GWA stated that it was a standardization issue and warranty issue. Industry standard is to install a corporation stop, curb stop, meter valve and customer valve. The warranty issue stems from the

variation of pipes to include pvc, galvanized and copper. GWA will be changing the pipes at each end of the meter box. GM GWA reminded the Commissioners that the sole source would only last for 2 years, the length of time Ford Motor Company designated KGI as their official distributor.

Commissioner Palomo then requested that the next time GM GWA indicate an item or process as an industry standard that he provides documents supporting that standard. Commissioner Ada questioned how GWA would handle the meter installations in the event the sole source bid gets challenged. GM GWA responded that only the meters would be installed. Chairman Sanchez indicated that the remainder of the work to standardize the valves would wait until the line replacement in the villages gets started.

Commissioner Ada moved to approve Request 06-19 for \$1.588 million for sole source as documented with the Resolution 06-FY2006 and justified by Legal Counsel, seconded by Commissioner Nelson for discussion.

Furthermore, Commissioner Palomo again requested the resolution be amended on Line 14 to state "benefit of the rate payer." Commissioner Ada also wanted a second amendment to Line 18 should state the CCU's intent to achieve greater standardization and compatibility with GWA's existing system that can best be achieved with the curb stop valves and related fittings, etc. Again including that the standardization will reduce costs, bringing greater efficiency, and save money or ratepayers. The resolution should state "up to" the dollar amount and "up to" the quantity of 39,000.

On the motion, without objection or further discussion, the motion was approved

VII. OLD BUSINESS – None

VIII. NEW BUSINESS - None

IX. ANNOUNCEMENTS

1. **Next CCU Meeting** - Undetermined , GPA meeting scheduled for the 2nd of March
2. **Audit Meeting** CFO questioned whether an Audit Committee would be meeting with the Auditors or should the Auditor meet with the Commission as a whole to accept the audit. Commissioner Ada asked what the purpose of the Audit Committee. CFO explained that the Auditor would submit a preliminary management report to a level higher than management identifying the weaknesses and other findings. The Audit Committee also served to oversee and supervise the Internal Auditor. After a brief discussion, the Commission determined without objection, there would be no audit committee and the CCU as a whole would be with the Auditor.

X. ADJOURNMENT - With no further business to discuss, the Commission adjourned at 4:00 p.m.

Attested by:


SIMON A. SANCHEZ, II, Chairman


GLORIA B. NELSON, Secretary

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