



CONSOLIDATED COMMISSION ON UTILITIES

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

CONSOLIDATED COMMISSION ON UTILITIES REGULAR MEETING OF GUAM WATERWORKS AUTHORITY *GPA Board Conference Room* 5:00 p.m., Tuesday, May 2, 2006

MINUTES

I. CALL TO ORDER

The Chairman called the regular meeting of the Guam Power Authority to order at 5:30p.m. He announced that all Commissioners were present. The attendance roster follows:

Commissioners:

Simon Sanchez	Chairman
Benigno Palomo	Vice-Chairman - GPA
Tom Ada	Vice-Chairman - GWA & CCU Treasurer
Gloria Nelson	CCU Vice-Chair / Secretary

Executive:

John Benavente	General Manager, Consolidated Utility Services (GMCUS)
Kin Flores	General Manager, Guam Power Authority (GMGPA)
David Craddick	General Manager, Guam Waterworks Authority (GMGWA)
Danny Santos	GPA/GWA Asst. GM, Consolidated Admin. (AGMCA)
Randy Wiegand	Chief Financial Officer (CFO)

Legal Counsel:

Anthony Camacho	CCU/GPA/GWA – Legal Counsel
Graham Botha	GPA Staff Attorney
Sam Taylor	GWA Staff Attorney

Management & Staff:

Don Antrobus	Chief Engineer / Guam Waterworks Authority
Jennifer Sablan	Special Projects Engineer / SPORD
John J. Cruz	Manager, Strategic Planning Operations & Research / SPORD
Mark Miller	Waste Water Systems Manager / Production & Treatment
Bernie Sadler	Sewer Plant Supervisor / Production & Treatment
Arlene Aromin	Generations Manager (A) / Generations
Tony Chargualaf	Waste Water Plant Superintendent / Treatment / Disposal Prod.& Treat.
B. Lou Sablan	Special Asst. Ex. Mgmt. / Executive Office

Media:

Guests:

Tanya Mendiola	Vice Speaker Brown's Office
Alan Serale	Alan Searle & Associates
Rick Unpingco	RSU Consultants, LLC

CCU/GWA Meeting 5/2/06

II. APPROVAL OF MINUTES

1. GWA - March 21, 2006 – (DRAFT)

The GWA Minutes of March 21st was presented for approval. Comm. Nelson moved to approve pending verification and written correction; Comm. Ada seconded. On the motion to approve the Minutes, subject to verification and written correction, there was no further discussion or objection; the motion carried.

2. GPA / GWA – April 18, 2006 – (PENDING)

The GPA / GWA Minutes of April 18th was tabled pending completion.

III. GM (CUS) REPORT

1. PMC Bid Approval: Resolution 12-FY2006

Earlier, the GMCUS presented the Commission with a (5) Volume Set PMC Bid Documents. He said the process of gathering comments is ongoing and that the documents would be edited to address any concerns.

He proceeded to give a brief overview of the respective volumes and at the end requested the Commission's approval to initiate the process by approving the PMC Contract Bid Documents for GWA's Waste Water System. The overview was given via a Power Point presentation (copy in Master File). His presentation included: a Summary of the PMC Bid Development, a description of the Bid Documents – Volumes I – V, the Contract, and lastly, the Bid Schedule. He said he would take questions / concerns at the end of the overview and hoped that the CCU would make their decision to move the process forward.

RE Bid Schedule – the GMCUS noted that the PMC Bid would be a 2step bid process. If approved, Step 1 would initiate with the Bid Announcement to be released on May 16, 2006 followed by a 2-month period for submittal of technical proposals and notification to qualified bidders on July 31, 2006. Those deemed qualified to bid would have 2weeks to submit their bid price – a deadline of August 14, 2006. Mid-September has been targeted to complete the contract approval and award process with the PMC contract mobilization and operational commencement 30-days after award.

Staff Attorney Taylor preceded with the overview of Volume I that deals with how the bid is submitted and the general terms and conditions. Specifically, it would be a 2step process, the first being the submission of technical proposals which would be evaluated according to set criteria; the second step involves the submission of price proposals which is the final determining factor. He reiterated that in order to get to Step 2, the bidder must first pass the technical phase– an evaluation of whether or not the bidder complied with the minimum requirement set forth in the bid. He said the most important aspect is qualifying the bidder, in and of itself. A major requirement is a baseline level of about \$2 million in capitalization for the firm submitting the bid. Another requirement he highlighted is that the technical and price proposal be submitted separately– this is to enable communication between the vendor and management in order to clarify terms and conditions and make needed amendments up until the time they are required to submit a price bid. The Staff Attorney mentioned some other components that are specifically spelled out in the bid i.e. what happens in the event of a protest, when can the bid be cancelled, who is indemnified, that all submissions must comply with the local law which means that if a bidder submits a bid and, if accepted, they must be licensed to operate on Guam. He said there are provisions in the bid re change orders, how they are to be conducted. He said the bid is a straightforward process and

CCU/GWA Meeting 5/2/06

not too different from a normal bid just more detailed and protective of the agency. He felt Volume I is very detailed and complete and is largely premised on GPA's experience with Cabras 3&4.

Legal Counsel Camacho talked about Volume II that deals with the relationship that the PMC would have over the WW plants. Generally, the PMC would conduct the managerial functions of the plants, the collection system and lift stations. Some highlights he mentioned: financing options such as short-term financing for critical projects, financing rates– the current Bloomberg Libor Rate and budgetary responsibilities. Each year, the PMC would negotiate the O&M Budget with GWA– they must optimize their operations to meet or come below this threshold. They would be responsible for staffing and personnel management. The Legal Counsel reiterated that Volume II clearly, expressly and specifically states that the PMC would use the existing GWA employees. Likewise, the employees working under the PMC will maintain their classified status and all their classified employee rights. He said no one will lose their jobs. Essentially, GWA will continue to recruit for employees to work in Waste Water and who will be classified employees. The PMC will have their own personnel and staff to perform the managerial functions. If a GWA employee, through normal attrition i.e. retirement, resignation or through adverse action procedure be terminated or transferred, GWA will have to replace that employee within a 12week period. If GWA is unable to fill that position, then the PMC will replace that employee with a PMC employee. He said the real benefit for GWA Employees is 2fold: training and certification. He highlighted that the PMC would be additionally responsible for maintenance, Performance Improvement Projects (PIP's) and Capital Improvement Projects (CIP's), Procurement, Communications and Reporting. He explained the Management Fees and Reimbursable O&M Spending that is tied to the PMC. He also said that the PMC is a 3-year contract with an optional 3-year extension.

Volume III, IV & V was presented by Jennifer Sablan. Volume III covered the system description i.e. the treatment plants process and condition, collection lines & pump station operations maintenance summary and condition assessments. It also covered maintenance schedules, historical power use and billing.

Volume IV talked about the proposed scoring mechanism. It defined the evaluation process and criteria as well as the qualitative proposal scoring and the priced proposal evaluation. It explains how the vendor would be scored to get through the different steps.

Volume V contains the appendices– the check list of bid documents, standard procurement forms i.e. bid bond, performance bond, major shareholders disclosures and surety company listings, performance guarantees, measures and evaluations, penalty assessments and fines, staffing charts and performance benchmarks.

At this point the GMCUS said that management is requesting to proceed with the bid solicitation and submitted Resolution 12- FY2006 for the Commission's consideration and approval. He commended the committee members for their time and effort in putting the package together. All the work was done in-house by employees of both agencies. He asked the Commission if they had questions.

Comm. Ada moved to accept Resolution 12FY2006 for the purposes of discussion. Comm. Nelson seconded.

In discussion, Comm. Palomo said this is the 2nd major resolution that he has been asked to consider relative to the privatization of GWA. He said this is a sensitive and hard decision for him.

CCU/GWA Meeting 5/2/06

and went on to explain his stance on the matter. He said GWA has come a very long way and commended the employees for their hard work and dedication in bringing GWA to where it is today. He said the job is huge and cannot be allowed to regress and used the Port Authority as an example. He said this resolution is proposing to give employees assistance for 3 years with an option for another 3 years. He said it is not privatization. He said he wants to be in the position as a Board member to provide the employees the help that they need to keep the momentum moving forward. He asked the employees to think positively because if they do not embrace the concept, it will not work. He commented about his discussions with some GPA employees who have very positive feedback relative to GPA's PMC and how it has helped them in their respective positions. He said he is inclined to support the resolution.

Comm. Ada said there have been numerous discussions about the PMC last week and again this week. He said he is of the same opinion as Comm. Palomo— to move to the next level. He said he is in support of the resolution.

Comm. Nelson said to change is not easy, particularly with employees who are still in doubt. She said she strongly and honestly feels that GWA has excellent employees; it has been very difficult for them. She said she is thankful that management has been able to bring some expertise needed to supplement their skills in the hiring of the Chief Engineer, and the GWAGM and others. She said she attended all the workshops relative to this matter and heard all the pros and cons. She said the PMC is a short-term contract. She is also in favor of the educational benefits for employees – a tremendous opportunity for them. She said she would like to move forward and give PMC a chance.

The Chairman commented so much has been done at GWA with fewer employees. GWA is under a microscope and public skepticism and lack of confidence is high. Yet employees show up to work everyday and try very hard to make the system better and to raise GWA to a higher level. The Chairman said when the GWAGM and Chief Engineer was hired, they brought the needed expertise to the company; he likened that to adding fertilizer to the garden. Other things that have happened to strengthen the Agency's foundation is the support from the legislature to allow the Commission to pay employees better; a training grant that when received would allow for a more structured training program. He views the PMC as another nutrient, resource or contribution to make GWA as good as it can be. Good things can happen if employees embrace it. So much has been done already but there is so much still to do. In order to accomplish it more is needed in money, support, management, the wisdom and experience that comes from bring outside skilled people in like the GWAGM, Chief Engineer and AGMACA. He said the PMC is the same thing— an attempt to bring more resources in for employees. Every time employees are provided the resources, they go above and beyond what is expected. He said he supports the PMC because it is another way to give employees more access to management training and expertise.

The Chairman said that the resolution is to move forward with the bid to see what the best companies in the world would charge to be GWA's partner to improve the waste water system. He said he still expects the GWAGM, Mark Miller and Tony Chargualaf to provide the Commission some analysis from their perspective on plans without a PMC.

The Chairman said he supports the proposal of a PMC and accepts the Resolution with an amendment to eliminate the 4th whereas on page 2 relative to unrealized goals.

CCU/GWA Meeting 5/2/06

Comm. Nelson moved to amend the resolution to delete line 26 on page 1 of the Resolution relative to the Peer Review. Comm. Ada recommended keeping this whereas, but amending it to add that the USEPA has articulated the same need. In doing so, it provides some sort of basis for the need of additional management and operational assistance from resources outside of GWA. Comm. Palomo recommended to leave the whereas but to make the statement more positive than negative. The Chairman recommended to change this whereas completely to say "Whereas the employees and management of GWA have achieved significant progress in the last 3 years to better serve ratepayers, and that the PMC is an additional resource to be made available to employees and management to better serve ratepayers in the area of waste water".

In addition Comm. Ada further recommended to amend the last whereas (line 31) to delete in a more rapid manner" and (on line 32) to strike "an expanded military and civilian population" and insert "Guam's growing population."

At this point, Comm. Ada recommended the sequence of appearance of the various whereases to make the resolution flow more smoothly. The Staff Attorney made notes relative to the recommended order for amendments.

On the amendments to the Resolution there was further discussion or objection. Further, Comm. Palomo recommended to identify "PMC for WW" or something similar on the Resolution. On the Resolution 12-FY2006 as amended there was no further discussion or objection, the motion passed unanimously.

IV. GM (GWA) REPORT

1. GM06-26: Approval of Outfall Project

At this point, the GWAGM asked to be excused so he could attend the Master Plan Public Hearing in Dededo. In his absence, the Chief Engineer (CE) presented the GM Reports.

In GM06-26 the GM requested the Commission's approval for the Outfall Projects that would cost \$17,577,500. and consists of the Agana and Northern Outfalls. These projects are required by the Stipulated Order and the GWA National Pollutant Discharge Elimination System (NPDES) permits for Agana and the Northern will not be approved without construction of these facilities. These Outfalls primarily take the existing outfalls further out and discharge is deeper in the ocean to get better dispersion. The project initially bid at \$19.8 million but was negotiated to the \$17 million price.

The CE provided an overview of the bid history and analysis. A total of (13) bid packets were distributed. There were initially (4) serious bidders but there was only one (1) respondent - Michel's Corporation. There was (3) components to the bid analysis: the original bid estimate from the design consultant, the comparison to comparable projects; and a 3rd party bid review conducted by AE Consultant. The Chief Engineer took the time to explain the basis of the different comparables and related rationale.

Comm. Ada motioned to approve the recommendation as noted on GM Report 06-26, the Outfall Projects *and to draft a resolution for ratification at the next GWA meeting* Comm. Palomo seconded.

CCU/GWA Meeting 5/2/06

In discussion, the Staff Attorney advised that this project would need to go before the PUC for approval. It exceeds the 20% limit for capital projects, under PUC guidelines and would like to petition them for the variance for the use of bond funds for this particular project.

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

2. GM06-27: Approval of Mutual Aid & Assistance Program

The Asst. GM of Consolidated Utilities (AGMCA) presented on behalf of the GWAGM. The network is to provide water and waste water emergency assistance with other Pacific Island Nations. The accompanying Resolution 11-FY2006 is a joint policy resolution for Mutual Aid and Assistance Network for Pacific Island Nations.

Comm. Nelson motioned to approve for discussion.

Comm. Palomo commented on Line 25 of the Resolution relative to the Hawaii Section of AWWA's assistance. Comm. Ada agreed that the Mutual Aid Agreement should stay within the Pacific Island Nations. It was decided to amend the Resolution 11-FY2006 and delete the last whereas, Lines 25-27.

On the motion to approve Resolution 11-FY2006 as amended, there was no further discussion or objection; the motion passed.

V. COMMUNICATIONS

A. Public Comment - None

B. Other

VI. OLD BUSINESS – NONE

VII. NEW BUSINESS

1. Fuel Oil Contract

GPAGM advised that GPA's fuel contracts expires on July 3rd. British Petroleum, GPA's current fuel supplier was asked for an extension of one additional year with the same terms and conditions, to include the price. They advised in April that they would need to increase their premium fees for low sulfur and high sulfur fuel per barrel. Management asked if BP would extend for 6 month amendment with a clear understanding that GPA would do an IFB for a new fuel contract supplier. He advised that BP concurred with the request but would not agree to keep the price. He is requesting the Commission to support his recommendation to 1) enter an amendment of the existing contract and 2) allow GPA to prepare a Resolution for CCU approval to submit to PUC under their Contract Review Protocol and Fuel Contracting– to proceed with an IFB.

He explained that freight rates have doubled and now costs about \$3.00 per barrel. The cost increment brings the total up to about \$8 per barrel, just for freight. He confirmed that whether GPA stays with the current supplier or another supplier, there is no way to circumvent this cost and ratepayers would have to pay a lot more per shipment. He estimated a 6-month period to cost about \$4.2 million just on freight rates alone. He provided the Commission with charts supporting his rationale (copy in Master File). He has asked the assistance of Legal Counsel to draft Resolution 2006-16 authorizing management to proceed with amending GPA's existing residual fuel oil contract and to proceed with the solicitation of a residual fuel oil supplier.

CCU/GWA Meeting 5/2/06

Comm. Ada motioned to approve the recommendation as noted on GM Report 06-26, the Outfall Projects and to draft a resolution for ratification at the next GWA meeting; Comm. Palomo seconded.

In discussion, the Staff Attorney advised that this project would need to go before the PUC for approval. It exceeds the 20% limit for capital projects, under PUC guidelines and would like to petition them for the variance for the use of bond funds for this particular project.

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

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On the motion to approve Resolution 11FY2006 as amended, there was no further discussion or objection; the motion passed.

V. COMMUNICATIONS

A. Public Comment - None

B. Other

VI. OLD BUSINESS – NONE

VII. NEW BUSINESS

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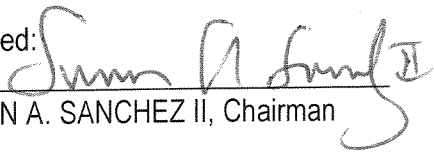
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CCU/GWA Meeting 5/2/06

XI. ADJOURNMENT

With no further discussions to bring before the Commission, the regular meeting was adjourned at 8:05 p.m.

Attested:


SIMON A. SANCHEZ II, Chairman


GLORIA B. NELSON, Secretary

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CONSOLIDATED COMMISSION ON UTILITES
REGULAR MEETING OF
Guam Waterworks Authority
Tuesday, 5/2/06 5:00 p.m.

SUMMARY OF MOTIONS, RESOLUTIONS & PENDING ACTIONS

I. MOTIONS & RESOLUTIONS

ITEM #	AGENDA ITEM	MOTION OR RESOLUTION	VOTES
1	Approval of Minutes: March 21, 2006	The Minutes of March 21st was presented for approval. Comm. Nelson motioned to approve the Minutes subject to verification and written correction. Comm. Ada seconded. With no discussion or objections, the motion carried.	Ayes – 4 Nays – 0
2	PMC Bid Approval: Resolution 12-FY2006	Comm. Ada moved to accept Resolution 12 FY2006 for the purposes of discussion. Comm. Nelson seconded. On the amendments to the Resolution, there was further discussion or objection. Further, Comm. Palomo recommended to identify “PMC for WW” or something similar on the Resolution. On the Resolution 12-FY2006 as amended there was no further discussion or objection, the motion passed unanimously.	Ayes – 4 Nays – 0
3	GM06-26: Outfall Projects	Comm. Ada motioned to approve the recommendation as noted on GM Report 06-26, the Outfall Projects and to draft a resolution for ratification at the next GWA meeting; Comm. Palomo seconded. On the motion, there was no further discussion or objection. The motion passed	Ayes – 4 Nays – 0
4	GM06-27: Mutual Aid & Assistance Network for Pacific Island Nations Resolution 11-FY2006	Comm. Nelson motioned to approve for discussion. Comm. Palomo commented on Line 25 of the Resolution relative to the Hawaii Section of AWWA’s assistance. Comm. Ada agreed that the Mutual Aid Agreement should stay within the Pacific Island Nations. It was decided to amend the Reslution 11-FY2006 and delete the last whereas, Lines 25-27. On the motion to approve Resolution 11-FY2006 as amended, there was no further discussion or objection; the motion passed.	Ayes – 4 Nays – 0
5	Fuel Oil Contract Resolution 2006-16: IFB for Residual Fuel Oil	On the Resolution, Comm. Ada motioned to approve Resolution 2006-16. Comm. Nelson seconded. With no further discussion or objection, the motion carried.	Ayes – 4 Nays – 0

CONSOLIDATED COMMISSION ON UTILITES
REGULAR MEETING OF
Guam Waterworks Authority
Tuesday, 5/2/06 5:00 p.m.

II. PENDING ACTION

ITEM#	AGENDA ITEM	PENDING ACTION	RESPONSIBLE PARTY
1	GM06-26: Outfall Projects	He said he still expects the GWAGM, Mark Miller and Tony Chargualaf to provide the Commission some analysis from their perspective on plans without a PMC.	GWAGM M. Miller T. Chargualaf