



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 *GWA Conference Room* 5:00 p.m., Tuesday, September 26, 2006

MINUTES

I. CALL TO ORDER

The Chairman called the regular meeting of the Guam Waterworks Authority to order at 6:20p.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) – (Excused)
David Craddick	General Manager, Guam Waterworks Authority (GMGWA)
Danny Santos	GPA/GWA Asst. GM, Consolidated Admin. (AGMCA)
Randy Wiegand	Chief Financial Officer (CFO) - ABSENT

Legal Counsel:

Sam Taylor	GWA Staff Attorney
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Management & Staff:

Don Antrobus	Chief Engineer / Guam Waterworks Authority
Elaine Cruz	Personnel Services Mgr., / Human Resources
Paul Kemp	Water/Sewer Maintenance Supervisor / GWA
Berney Sadler	Sewer Plant Supervisor / Production & Treatment, GWA
Heidi Ballendorf	Public Information Officer / GWA
Mark Miller	Production & Treatment Systems Manager / GWA
Anthony Chargualaf	Collection & Distribution Systems Manager / GWA
Gilda Mafnas	General Accounting Supervisor / Finance, GWA
Ron Topasna	

Media:

Guests:

Tara Taitano	Representative / Vice Speaker Joanne Brown
Jenny Martinez	Vice Speaker J. Brown's Office

II. APPROVAL OF MINUTES

1. GWA - September 12, 2006 – (DRAFT)

The GPA Minutes of September 12th was presented for approval. Comm. Nelson moved to approve the Minutes subject to verification and written correction; Comm. Palomo seconded. On the motion to approve the Minutes, there was no further discussion or objection; the motion carried.

III. GM (CUS) REPORT - None

IV. GM (GWA) REPORT

1. GM06-38 – FY2007 Budget

The GWAGM asked the Commission to approve GWA's Operations and CIP Budget for FY 2007. He said labor costs have been adjusted downward considerably. Costs for the proposed PMC is \$1.6 million; and said the increase of \$1.4 million is due to increased fuel costs and operating cost due to Agana and Northern treatment facilities actually treating the wastewater rather than just passing it through as has been the practice over the past several years. He also said he expects costs to drop considerably next year because combination trucks currently on order would have been received and operational, thus minimizing the need for rental units.

The Chairman said that the Commission had just completed a working session on the budget prior to this meeting and management prepared a revision based on that working session. He asked the Commission to accept the revision (copy in Master File) for the record; there was no objection and the revision was accepted. He proceeded to highlight some of the numbers represented: total revenues \$49.3 million, labor \$15.2 million, utility purchases \$16.3 million, net revenues after expenses \$248k.

The Chairman asked the GWAGM to give more detail relative to the \$3.5 million CIP / Grants (Row 80). There was also discussion regarding the balance in line replacement bond funds. The Chairman asked the GWAGM to provide detail on how management plans to use these residual funds in FY2007.

Comm. Nelson motion to accept the FY2007 budget as developed; Comm. Ada seconded.

In discussion, the Chairman reminded management of items still pending, as discussed in the earlier budget work session such as the FY2007 staffing pattern as requested by Comm. Palomo; the breakdown of CIP's in particular line repairs from bond funds and the schedule of training and staff development as requested by Comm. Nelson.

Comm. Palomo further stated that the budget is very tight and it is important to advise the employees how difficult it was to develop it. The Commission asked management to bring the budget back to the employees so that they are made aware.

Referencing another discussion that took place in the earlier budget work session, the Chairman reminded management to revisit the material and supply numbers for FY2006 to ensure its accuracy so that the related numbers for FY2007 can also be accurate.

On the motion to approve the revised FY2007 budget, there was no further discussion or objection, the motion carried.

2. GM06-39 - Approval of Ugum Funds; Resolution 23-FY2006

The GWAGM requested the Commission for approval of \$8million in funds for the Ugum Treatment Facility Renovation. The project is a 2-step bid: the first step was the pilot tested treatment process and the second step was the price bids. The process resulted in only (1) bid. The upgrade will allow the plant to produce 4 million gallon per day even during inclement weather and designed to treat 6 million gallons per day. EPA is paying \$1.75 million towards this project with GWA funding the balance. The GWAGM identified the funding source as follows: \$2.5 million from the Ugum Tank replacement bond project which includes the repair of the existing tank, \$1 million from the Agat Collector Line project, \$2 million from interest gained since the bond fund was issues, \$800k from line replacement projects which will be replaced with bond interest gained over the next four months. He also presented related Resolution 23-FY 2006 documenting his request.

Comm. Ada motion to approve Resolution 23-FY2006 for discussion purposes; Comm. Nelson seconded.

In discussion, the funding of the project was clarified. Of the \$8 million, \$1.75million would come from EPA and the balance would come from the bonds. The latter would be reallocated from other bond funded projects.

Comm. Palomo was concerned about the money being taken from the Agat Collector Line project. He asked how doing so would impact the progress of the project. The CE clarified that the Agat Collector Lines has more than enough funds for completion. EPA funded \$1million above what was needed and management proposed that this extra funding be reallocated to the Ugum Treatment Facility Renovation. It was mentioned that when completed the Ugum Treatment Plant would have a considerably better filtration system.

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

3. GM06-40 – Approval of Stipulated Order (STIP)

The GWAGM reported that there is a scheduled teleconference with U.S.EPA at 8:30 a.m. tomorrow. He said it is getting very close to finalizing the amendment to the timeline of projects and additions by EPA to allow the extension. He said it is to GWA's benefit because of reduced exposure to future fines. The Chairman said both he and Comm. Ada would be present for the conference call and that the final draft STIP would be presented to the Commission when complete.

V. COMMUNICATIONS

1. Public Comment – None

There was no public comment.

VI. OLD BUSINESS – None

VII. NEW BUSINESS

1. July 2006 Financials

The General Accounting Supervisor, reported on the July Financials but her comments were inaudible. Hard copies of the financials were provided to the Commission (copy in Master Files) and it is from these that the following highlights were provided:

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- Receivables – commercial collections showed an increase of 4.5%. Total collections ratio show a slight increase of .16%
- Payables – Balance as of 7/31/06 is significantly lower compared to September 30, 2005.
- Revenue – Actual YTD revenue is \$40.7Million, only .03% lower than YTD revenue budget
- Operating and Maintenance Expense – YTD operating expenses increased by 2.14% or \$841k compared to YTD budget of \$39k. The increase was attributed to the cost for pumps and motors that failed to meet the cost requirement of \$5k to be capitalized.
- Operating Income – YTD Operating Income of \$852k was a direct result of the increase in operating expenses.

2. Rate Stabilization Fund (RSTF)

The Chairman said that the PUC consultants expressed some concern as to whether GWA has complied with their rate order. The CFO prepared a power point presentation (copy in Master File) to help clarify the situation.

He began with some background information – when the CCU took over, GWA had been operating at a deficit and it had about \$5 million in past due vendor payables. When the Stipulated Order came about, the PUC required GWA to establish an O&M Emergency Renewal Repair and Replacement Fund. GWA was required to increase the fund by \$2million per year for 5 years. In 10/1/04 there was a rate increase which was driven by the need to have cash because GWA was looking at issuing the MSG meter debt and the bonds. A 6.5% rate relief was granted with the requirement that GWA place all revenues from the increase into a rate stabilization trust fund. GWA was prohibited from accessing the funds with PUC's written approval.

Georgetown's letter noted that GWA failed to do the required RSTF filings but the CFO confirmed that this is not correct; reports were filed on 3/31/05, 6/30/05, 9/30/05 and 12/31/05 respectively. He did confirm that there was a long lag after the 12/31/05 filing.

In July 2005, the CFO realized that the Stipulated Order fund was being funded and the RSTF was not being funded so he directed that about \$800k be taken from the SO fund be transferred into the RSTF to make sure that this fund is kept fully funded.

In January and February 2006, revenues and collections were down and vendors were threatening to cut supplies if they don't get paid and there were no funds. It was also at this time that it was determined that the Stipulated Order (SO) fund should be prioritized and about \$2 million was transferred back from the RSTF to the SO fund.

The CFO said the complication comes from the Bond Indenture Agreement which stipulates that all revenues collected need to go into Revenues Fund then on the 5th day GWA is required to make a transfer from Revenues to the O&M Fund until the O&M Fund has 55 days of revenues in it, then the remaining monies can be applied to the Debt Service Fund then to the Bond Reserve Fund, then the Stipulated Order Fund, then the Rate Stabilization Fund and finally into the CIP Fund. The CFO said the problem is that GWA has never been able to go past the O&M Fund level. Management's initial interpretation of the Bond Indenture is that only 30 days of reserves in needed in the O&M Fund but it was clarified with the Bond Counsel that it requires 55 days of reserves.

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GWA has never had enough cash to fully fund the O&M Fund which prohibits the funding of other accounts. The Georgetown's letter cites that GWA willfully violating their order but GWA is only trying to follow its Bond Indenture. If GWA did fund the Rate Stabilization Fund it would be in default of its Bond covenants because it would not be following the proper funding principle allocation.

The CFO also provided a chart showing the current fund balances. Of all the Funds listed, only the Bond Reserve Fund was fully funded. The CFO added that GWA vendors were calling for past due amounts which were legitimate. There were funds in the O&M Fund and the vendors were paid. This accounts for \$2 million of the shortfall. In order to comply with the PUC requirement, GWA should have had a control in place to prevent payments to these vendors. It is very difficult not to pay the vendors when the work has been completed and the bill outstanding for many years.

The Staff Attorney said that a response letter to Georgetown's claims has been drafted (copy in Master File) and submitted to the Commission for review.

There was lengthy discussion regarding the different funds. The General Manager and the Staff Attorney were in disagreement between the Stipulated Order Fund and the O&M Fund. The Chairman advised that the two sort the matter out at another time.

VIII. ANNOUNCEMENTS

1. Future Meeting Dates

The Chairman announced that the next CCU meeting will be on Wednesday, October 11th at GWA; and GPA on October 17th.


The GWAGM apologized to the Commission and to the CFO for his actions at the last CCU/GWA meeting. The Commission and CFO accepted his apology.


IX. EXECUTIVE SESSION

X. ADJOURNMENT

With no further discussions to bring before the Commission, the regular meeting was adjourned at 7:35 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, 9/26/06 5:00 p.m.

SUMMARY OF MOTIONS, RESOLUTIONS & PENDING ACTIONS

I. MOTIONS & RESOLUTIONS

ITEM #	AGENDA ITEM	MOTION OR RESOLUTION	VOTES
1	Approval of Minutes: September 12, 2006 Minutes	The GPA Minutes of September 12th was presented for approval. Comm. Nelson moved to approve the Minutes subject to verification and written correction; Comm. Palomo seconded. On the motion to approve the Minutes, subject to verification and written correction, there was no further discussion or objection; the motion carried.	Ayes – 4 Nays – 0 Abstained – 0
2	GM06-38 – FY2007 Budget	<p>Comm. Nelson motion to accept the FY2007 budget as developed; Comm. Ada seconded.</p> <p>The Chairman said that the Commission had just completed a working session on the budget prior to this meeting and management prepared a revision based on that working session. He asked the Commission to accept the revision (copy in Master File) for the record; there was no objection and the revision was accepted. He proceeded to highlight some of the numbers represented: total revenues \$49.3 million, labor \$15.2 million, utility purchases \$16.3 million, net revenues after expenses \$248k.</p> <p>On the motion to approve the revised FY2007 budget, there was no further discussion or objection, the motion carried.</p>	Ayes – 4 Nays – 0 Abstained – 0
3	Resolution 23-FY2006: Approval of Contract Amount for the Ugum Water Treatment Plant Refurbishment Project and the reprogramming of the Proceeds of the Series 2005 Bond Funds for the Project	<p>Comm. Ada motion to approve Resolution 23-FY2006 for discussion purposes; Comm. Nelson seconded.</p> <p>In discussion, the funding of the project was clarified. Of the \$8 million, \$1.75million would come from EPA and the balance would come from the bonds. The latter would be reallocated from other bond funded projects.</p> <p>Comm. Palomo was concerned about the money being taken from the Agat Collector Line project. He asked how doing so would impact the progress of the project. The CE clarified that the Agat Collector Lines has more than enough funds for</p>	Ayes – 4 Nays – 0 Abstained – 0

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		<p>completion. EPA funded \$1million above what was needed and management proposed that this extra funding be reallocated to the Ugum Treatment Facility Renovation. It was mentioned that when completed the Ugum Treatment Plant would have a considerably better filtration system.</p> <p>On the motion, there was no further discussion or objection and the motion carried.</p>	
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II. PENDING ACTION

ITEM#	AGENDA ITEM	PENDING ACTION	RESPONSIBLE PARTY
1	FY2007 Budget	<p>The Chairman asked the GWAGM to give more detail relative to the \$3.5 million CIP / Grants (Row 80). There was discussion regarding the balance in line replacement bond funds. The Chairman asked the GWAGM to provide detail on how management plans to use these residual funds in FY2007.</p> <p>In discussion, the Chairman reminded management of items still pending, as discussed in the earlier budget work session such as the FY2007 staffing pattern as requested by Comm. Palomo and the schedule of training and staff development as requested by Comm. Nelson.</p> <p>Comm. Palomo further stated that the budget is very tight and it is important to advise the employees how difficult it was to develop it. The Commission asked management to bring the budget back to the employees so that they are made aware.</p> <p>Referencing another discussion that took place in the earlier budget work session, the Chairman reminded management to revisit the material and supply numbers for FY2006 to ensure its accuracy so that the related numbers for FY2007 can also be accurate.</p>	<p style="text-align: center;">GWAGM</p> <p style="text-align: center;">E. Cruz/ HR</p> <p style="text-align: center;">GWAGM CFO</p> <p style="text-align: center;">CFO</p>