



CONSOLIDATED COMMISSION ON UTILITIES

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

GUAM WATERWORKS AUTHORITY REGULAR BOARD MEETING GPA Board Conference Room 5:00 p.m., February 10, 2009

MINUTES

I. CALL TO ORDER

Chairman Simon Sanchez called the regular meeting of Guam Waterworks Authority to order at 5:05 p.m. He announced that all 5 Commissioners were present. Those present included:

Commissioners:

Simon Sanchez	Chairman
Benigno Palomo	Vice Chair, GPA
Eloy Hara	Vice Chair, GWA
Gloria Nelson	Secretary
Joseph (Joey) Duenas	Treasurer

Executive Mgmt:

John Benavente	GMCUS
Kin Flores	GPAGM
Len Olive	GWAGM
Andy Balajadia	AGMO. GPA
Danny Santos	AGMCA
Randy Wiegand	GPA-CFO
Greg Cruz	GWA-CFO
Sam Taylor	Staff Atty., GWA

Management & Staff:

Don Antrobus	Chief Engineer / GWA
Paul Kemp	Asst. GM, Compliance & Safety
Mark Miller	Asst. GM, Production & Treatment
Heidi Ballendorf	Director of Communications / GWA
Gilda Mafnas	Controller / GWA
John Pangelinan	GWA
Elaine Cruz	Personnel Services Admin. / HR, GWA
Jesse Lujan	Asst. GM, Collection & Distribution
Herbert Pinault	Fleet Services Mgr., / GPA Transportation
Ma. Angela Quinto	Internal Auditor / GPA

Guests:

Rick Unpingco	Veolia Water
Gerry Partido	Marianas Variety

II. APPROVAL OF MINUTES

The Minutes of November 12, 2009 was presented for approval.

Comm. Palomo moved to approve the Minutes subject to verification and written correction; Comm. Nelson seconded. There was no further discussion or objection and the motion passed.

III. GM (CUS) REPORT

1. Update on Water System

The GMCUS read his report (copy in Master File). He gave a brief overview of the general condition of the wells dating back to December reiterating once more on the Barrigada crisis around Christmastime. He said at the time he informed the Commission that GWA has a serious crisis condition in the northern system and that he formed a Task Force (TF) to deal with the issues and develop action plans to make the system reliable and sustainable. The TF members include employees from various divisions of both GPA and GWA; there were weekly meetings and daily email communication was shared to identify problems, find solutions and a plan of action.

He gave an update on the northern reservoirs / zones – Yigo/Barrigada/Mangilao consistent and no service interruptions; Ysengsong holding but critical where in another well failure could cause significant drop; Kaiser Zone holding well but began to drop slowly when D-6 motor burned out on 1/30th.

Some wells are being repaired – F20 & D-6 wells were pulled out and repair is complete. There are other wells that are down D-9, F10 and D11 are being scheduled for repair. He cited low inventory and they are trying to find a way to bridge the gap. He has asked GPA's machine shop for assistance to be engaged to correct or rehab pumps as needed. Thermal Vision activities are underway as well as voltage imbalance. GWA's crane is at its end and GPA's is being utilized in the meantime.

Some action plan he noted the separation to 4 zones in the north has improved the system markedly and have been able to minimize loss of production to fewer customers. Two deep wells have been restored to service in past few days. As production increases, reservoir levels will rise and marked improvement is expected in next few weeks.

There was discussion regarding the crisis of this past month and the Commission wanted to know what happened to bring GWA to this point. The GMCUS responded that GWA has always been in a crisis situation but only now with the right equipment in place that the details are being discovered. He said we have always been at the verge of system failure. The Chairman said he's surprised at the depth of failure and the kind of challenges management is facing. It was mentioned that management must begin to be accountable and to take proactive measures to address the problems once and for all. Management including the CCU can no longer lay the blame elsewhere because it has been 6 years since the CCU has been established. The GMCUS said that the GWA team and plan is in place; now execution and follow-thru is key. Comm. Hara commented that the clock really only started when the GMCUS took over from the previous GM now it's time to move forward.

2. Legislative Public Hearing on Infrastructure

The GMCUS said that as Chairman of the Civilian Military Task Force, he will be presenting to the Legislature on the progress of the Civilian Military Task Force relative to GPA/GWA. The presentation was scheduled for tomorrow at 1 p.m.

IV. GM REPORT

1. Leak Detection Contract Update

The GWAGM reported that the Leak Detection Contract was signed on Jan. 30th. The contractor will be submitting the Work Plan for GWA review by Wednesday 2/11. Mobilization will be completed by 2/24 and the Contractor will kick-off with 10 days of meetings and training with GWA staff to establish process, information and accountability flows. On-the-ground leak detection will commence in early March and will consist of (2) 4-person crews.

2. Emergency Rate Relief

GWA staff completed a series of responses to Georgetown's Request for Information early in the month. Georgetown's report will be forthcoming by 2/11 in time for PUC's consideration in late February.

3. American Recovery & Investment Act of 2009 (Federal Infrastructure Stimulus Pkg.)

GWA staff attended a web cast outlining predicted requirements and process last week. The web cast was also attended by Sen. Tom Ada and staff. GWA had a telephone conference with Federal EPA Region 9 staff in a couple of days to discuss potential qualifying GWA projects and anticipated preparation for the submittal process.

4. Dept. of Defense Meetings

GWA Staff as well as Comms. Hara, Duenas and Sanchez met with DOD NavFac technical representatives at the end of January. Another meeting was held last week with DOD policy representatives and their consultants. NavFac technical reps concurred with GWA staff that the preferred technical solutions should first be fleshed out prior to entering into financing and business model discussions. The policy/business team outlined a potential

business model for the sewer side of the utility but was vague regarding water.

V. COMMUNICATIONS

1. Public Comments (2 min. per person)

VI. NEW BUSINESS

1. GPA Resolution 2009-07: Relative to GEDCA RFP for \$20Million Comm. Paper Loan

The GPAGM requested approval to refinance the \$20Million loan with Cathay Bank. Management believes it can get a 5-year term loan which will put GPA in a better position. This approval will give management authority to begin looking for better terms. The Chairman confirmed that this is a new loan to payoff Cathay Bank.

Comm. Nelson motioned to approve Resolution 2009-07; Comm. Duenas seconded.

In discussion Comm. Palomo asked if GEDCA is aware of this request and management concurred.

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

2. GPA Resolution 2009-08: Relative to Repair Parts Svcs. Transportation Division

Resolution 2009-08 requests the Commission to approve the contract with Bisnes Mami (Guam) for the provision of repair parts services. The cost of repair parts for FY09 will exceed the \$250k obligating authority of the General Manager and management is asking the Commission for their approval.

Comm. Duenas moved to approve Resolution 2009-08; Comm. Nelson seconded.

In discussion, Comm. Palomo asked for more background on Bisnes Mami; management said they are affiliated with MidPac and are also servicing Anderson Air Force Base.

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

VI. OLD BUSINESS

1. GPA Resolution 2009-04: Relative to Revision of Membership of CCU Audit Committee

Resolution 2009-04 talks about the CCU Audit Committee, its purpose and structure. In 2003 a CCU Audit Committee was established for the purposes which included approving the audit plan of the IA, receiving internal audit reports, following up on audit finds and meeting once a year with the external auditor. In 2005 the IA resigned and the make-up of the Audit Committee was revised to include all the members of the CCU and the Committee met once a year for the purpose of meeting with the external auditors. GPA has recently hired a full time IA and the work requirement for the CCU Audit Committee will once again increase to include the review and disposition of audit reports from the IA.

There was discussion on whether or not executive management should serve ex-officio and after a lengthy debate the consensus was that they would not serve ex-officio and would instead have full and complete voting rights.

In discussion it was decided to amend the resolution by keeping the Whereas section as noted on the draft submitted by Comm. Duenas and the change the Resolved section the same as the draft submitted by management

Resolution 2009-04 modifies the membership of the Audit Committee to include 2 Commissioners, the CFO and (3) from executive management - GMCUS, the GPAGM (for GPA) and the GWAGM (for GWA). The Chairman for the CCU Audit Committee for both power and water is Comm. Joey Duenas.

Comm. Palomo motioned to approve Resolution 2009-04 as amended; Comm. Hara seconded.

There was further discussion to keep Comm. Duenas's version on the Whereas's and on the Resolved to keep the language of the original resolution drafted by the IA. It was also mentioned to correct the date.

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

VII. STAFF REPORTS

1. Legal

The Staff Attorney updated the CCU relative to Civil Service Commission and their stance not to hear anymore adverse action appeals from GPA and GWA. He attended the CSC meeting to discuss this issue further and reported that their main concern is they wanted their statute to clearly state that they have the ability to hear GPA/GWA adverse action appeals. They wanted GPA/GWA's support relative to related

legislation. The Staff Attorney asked if the CCU would allow him to draft a letter in support. The CCU concurred adding that the letter must state that the CCU wants the right to review the legislation before it is presented to the Legislature. The letter will also state that in the interim the CSC would agree to hear GPA and GWA's adverse action appeals.

2. Financial

The CFO said that GWA lost \$3.5 million in December and cash flow is his issue. Operating revenues is down by 10% and CFO cited 1200 of 26,000 non registering AMR meters - representing a loss of \$200k per month as a key factor; 99% of these are residential. The AGMAC said not all commercial accounts are functioning 3 of 1,000 are still not working properly.

The GWAGM spoke with local Metron Farnier representative about the 13,000 non functioning meters and advised them that GWA is not getting any results from their efforts to figure out what causes the meters to fail. The CFO confirmed that the 1200 meters are being billed the basic charges only – the CFO said they consecutively come out as zero read. The AGMAC said every route is electronically read – those meters not picked up electronically are read manually. There was discussion regarding the zero reads on these 1200 meters – the CFO said that this has happened for 3 months already. The CFO said it is his opinion that this issue is the main contributing factor to the low revenues plus adjustments for reading errors which he said is an ongoing practice. The CFO confirmed that he gets his reports from the IT department. The GMCUS said he will have to look into the matter and report back to the Commission. It was mentioned that the exception report goes to RPU – Lisa San Agustin. The Chairman's disappointment is that a year ago non registering meter numbered 500 and now has grown to 1200 so it's obvious no one is looking at this problem. The GM said he would work with the GMCUS to look into the matter and report back to the Commission.

The CFO said that he has had to hold the line on payables, requisitions. Vendors are being paid but just not timely.

The Chairman said management has got to address these non registering meters – he said what is happening is unacceptable. He is concerned that this matter has slipped between the cracks and wants a report on this at the next CCU / GWA meeting.

3. Production & Treatment – the GMCUS gave highlights in his report.

4. Collection / Distribution – the GMCUS gave highlights in his report.

5. Asst. GM Consolidated Administration – None

6. Chief Engineer

The GM said the moratorium project has been released and submittal is now March 9th. There are 2 active local companies, 1 from Australia and 1 from the U.S. have all picked up packets.

7. Compliance / Safety

EPA has notified GWA expressing their preliminary intention not to renew GWA's primary treatment waivers which would force / require GWA to go to secondary treatment; the GM has asked for more time to respond. In Hawaii's case it took 11 years before they received EPA's formal denial. In the coming weeks this issue will emerge. Comm. Duenas commented that University of Hawaii is very supportive of primary treatment vs. secondary treatment and recommended that management approach University of Guam and involve them in the information campaign / testimonial that primary testing is not a polluter.

8. Human Resources

Chief Engineer recruitment is ongoing and some applications have been received and being reviewed. The head hunter is not yet engaged; negotiations re terms / commissions are ongoing.

There was discussion on the CTP percentages - the Chairman asked clarification re CTP wages. It was initially set at the 5th percentile and was authorized to move to the 15th percentile. The GMCUS concurred and said it is budgeted but because GWA does not have the money it cannot implement it. GPA will implement the 15th percentile this FY and will move to the 20th percentile next FY. The Chairman wanted the Commission to be aware of this fact.

9. Communications / PIO

PIO, Heidi Ballendorf submitted her written report. She said the TV and radio media ad campaigns are on hold pending availability of funds. The Infrastructure 2010 campaign is on hold for the same reason – this is

the outreach program to explain the 5-year rate adjustment being proposed before PUC. Management wanted to explain where the money is going and how it will benefit the ratepayers. The Chairman mentioned that PUC is looking at the rate case as it relates to the cost of power and navy water (which makes up about 90% of the 1st year's rate case). Depending on how PUC opines / rules there may be some relief / monies that will come from this that management can use to get this segment of ads moving. The PIO distributed pamphlets re how tours are conducted in the plants and thanked Veolia for sponsoring the cost for the pamphlets.

VIII. ANNOUNCEMENTS

1. Next CCU Meeting

The Chairman set the next CCU meeting for GPA at 2/24 and GWA on 3/10.

The Chairman called for a vote to go into Executive Session. There was no objection. He called for a break – it was 8 p.m. Executive Session began at 8:20 p.m.

IX. EXECUTIVE SESSION

1. Military Water Use

This matter was discussed.

2. FENA Litigation

This matter was discussed.

Executive Session ended at 9:10 p.m. and regular session began immediately thereafter.


The Chairman asked management to begin looking at P.L. 29-51 and begin to develop an approach and a strategy to implement it according to law.


X. ADJOURNMENT

There being no further business to bring before the Commission the meeting was adjourned at 9:30 p.m.

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bls

Attested:


SIMON A. SANCHEZ II, Chairman


GLORIA B. NELSON, Secretary