



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., April 14, 2009

MINUTES

I. CALL TO ORDER

Chairman Simon Sanchez called the regular meeting of Guam Waterworks Authority to order at 5:30 p.m. He announced that 3 Commissioners were present; Comm. Nelson is still off-island and Comm. Hara is ill and not able to attend. He said both Commissioners are excused. Those present included:

Commissioners:

Simon Sanchez	Chairman
Benigno Palomo	Vice Chair, GPA
Joseph (Joey) Duenas	Treasurer

Executive Mgmt:

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

Management & Staff:

Don Antrobus	Chief Engineer / GWA
Paul Kemp	Asst. GM, Compliance & Safety
Mark Miller	Asst. GM, Production & Treatment
Gilda Mafnas	Controller / GWA
John Pangelinan	GWA
John Cruz	Manager / SPORD, GPA
Julie Shane	Engineering Supervisor / GWA
Jesse Lujan	Asst. GM, Collection & Distribution
Yuka Cabrera	Internal Auditor
Angela Quinto	Internal Auditor / GPA
Victor Torres	Supervisor, Data Processing / GWA

Guests:

Donald Lim	GRH Technology
David Lei	GRH Technology
Cyrus Luhr	Sen. Ada's Office

II. APPROVAL OF MINUTES

The Minutes of February 10, 2009 was presented for approval.

Comm. Palomo motioned to approve the Minutes subject to verification and written correction; Comm. Duenas seconded. There was no objection and the motion carried.

III. GM (CUS) REPORT

1. Water System Update

The GMCUS provided his Water System Update Report (copy in Master File). Here are highlights - reservoir levels are currently at adequate levels. All regularly operating wells are on-line. Management was able to reduce well failures significantly – 15 on in 6.5 months. Production capacities in each zone are being analyzed. He added that the refurbishment of hard down wells are underway and is happy to report that Well #D-24 is on line after several years down; the rehabilitation of high production (500 gpm) well #Y-7 is near completion. There has been no major at large outage since the December 2008 Barrigada incident. He continues his coordination / planning and weekly meetings.

2. Meter Task Force Update

One of the major issues at the last GWA meeting was the loss of water. The GMCUS provided a report (copy in Master File) re the findings and corresponding efforts in place to correct and manage this issue / problem.

The report contained several attachments / graphs – here are highlights. The water production loss reported that the % of water losses translates to an estimated annualized potential loss of about 1,000,000 Kgals in FY09 if this issue is not resolved; the revenue loss analysis shows a revenue difference of about \$3.72M between FY08 and FY09. The Difference translates to a monthly revenue loss of about \$744K if not resolved; the cash collection ratio report showed the collection ratio over the past 17 months. While the ratios have actually improved, total billings were substantially down due to zero read meters. The tracking of the 12 month moving average on sales show that in current FY09 revenue is down by about \$3M for the past 5 months ending February 09; the total zero read meters from Oct 08 – Mar09 is about 6,166 meters – they have all been identified by meter class and size; there are 39,033 customers about 26,102 or 67% are on AMR meters. The meter task force investigates all defective meters and about 70-80% of these are defective or clogged. Corrective action is being implemented – the back flow preventers are being removed in smaller meters because small pebbles get lodged causing the meter impeller to get stuck. Obstruction is the main cause of all failures. The larger meters are also being evaluated for cause of failure and a report will soon be released.

Relative to billings – GWA is allowed to back bill up to four months consumption. Management plans to expedite the process. As of today there are 2,000 customers that management needs to back-bill. The GMCUS said that we should see major improvements in revenues between May and June.

The issue with zero read meters is the major cause for revenue losses and management has been diligently correcting the problem and at the same time trying to address it with more permanent solutions such as additional manpower, materials and replacement meters. Additional resources have been diverted to the task force in an effort to speed up the recovery process.

IV. GM REPORT

1. System Development Charge (SDC) Update

The CCU had a workshop earlier relative to SDC methodologies and the GWAGM asked the CCU to consider approving a 2-tiered approach incorporating both the Equity and Incremental methodologies.

In a motion made by Comm. Duenas and seconded by Comm. Palomo, the CCU agreed to allow the GM to collaboratively work with Georgetown Consulting Group to develop potential hybrids that he may think is doable.

June is the target date to develop a hybrid which will be implemented in July if all goes well.

2. Chief Engineer Update

Chief Engineer Don Antrobus is scheduled to depart Guam on May 15th. Interviews were conducted on March 24th for his replacement. A preferred candidate emerged from the interviews and negotiations are underway. Management hoped to get the new Chief Engineer position filled by June09.

3. Moratorium Bid Update

The GWAGM reported that the bid submittal deadline had been extended to May 1, 2009. The refit time of the 2 lift stations has also been extended from 6 months to 9 months. GWA is currently reviewing 15 plan submittals in the moratorium area.

4. Management Audit Update

The GWAGM said that the Phase II scope is in the process of being drafted by the consultant – priority audit areas for Phase II include: the stabilization of GWA's financial position, improvement of Operations and Reliability, Enhancement of the Customer's Experience and Enhancement of Employee Utilization, Productivity and Effectiveness. The target scope of completion is 2 weeks.

5. O&M Consolidation Update

It was reported that all workgroups have been consolidated with the exception of Meter Repairs and Installation. The Meter Reading group will stay with Customer Service and integrate disconnects and reconnects into their daily work plan. It is also planned to merge trouble dispatch with Customer Service by May 1st.

6. Leak Detection Update

GRH Technology is working on their 7th week of leak detection. A total of 208 leaks have been detected to date representing about 800 gpm of potential water savings. Of these, 150 have been repaired. It was also reported that approximately 150 miles of pipe have been surveyed so far.

7. EPA Update

EPA Region 9 performed a "sanitary survey" on the GWA water system last week. The GWAGM said that this is not unusual and is a routine check-up that is performed on all water purveyors. He further reported that a 301 (h) waiver telephone conference took place on April 3rd. The Conference was generally cordial but also mentioned that no major breakthroughs favoring GWA's retention of the waivers occurred. Another meeting is scheduled this week to map next steps.

8. Veolia Contract Extension Update

The GWAGM updated the CCU that talks with Veolia Water continue regarding their potential contract extension. A first draft is targeted for presentation to the CCU in July.

V. COMMUNICATIONS

1. Public Comments - NONE

VI. NEW BUSINESS

1. GPA Resolution 2009-14: Extension of Fuel Farm Facility Contract

GPA's Fuel Farm contract with Peterra Inc. will expire on April 30, 2009. In its provisions both GPA and Peterra agreed to extend the contract on a month-to-month basis but not exceeding 1 year beginning on May 1, 2009. Further it was agreed to waive any price escalation and the contract fixed service fee of \$54,346 per month will remain unchanged. GPA management asked the Commission approval to proceed with the 1st year contract extension.

Comm. Palomo motioned to approve Resolution 2009-14; Comm. Duenas seconded.

In discussion it was recommended to amend the Resolved section by adding the dollar amount of the contract service fee. There was no objection and the Resolution was amended according.

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

2. Senior Management Evaluations

The Chairman presented a letter dated March 10th from Speaker Judy Won Pat reminding the Commission of the law that requires the CCU to do a performance review of all agency heads 6 months after their initial hiring and again after 12 months. The law also requires that the review be posted on the agency's website. The Chairman said that a review of all senior staff must be had and there was discussion relative to the proper format that would be used in the process. The Chair mentioned that there is the form that was developed by Dr. Annette Santos that was used for the annual review process in 2007 and there is another proposed form developed by Alan

Searle. He said that the CCU must decide which form would be best suited and that this matter should be addressed by June 09. It was agreed to wait on the decision until the CCU has had a chance to see the proposed forms by Mr. Searle.

3. Resolution FY2009-13: Relative to Govt. Claim for L. Arce

On 9/5/08 Ms. Lolita Arce filed a government claim against GWA claiming she suffered \$4k in damages as a result of a sewage backflow into her residence at Finile, Agat. After their investigation, Veolia Water Guam reported that there was a need to install backflow prevention valves at residences in that area due to recurring sewage overflow problems. Veolia also was the respondent to Ms. Arce's residence and noted significant damage to her household effects as documented in the supporting documents to the resolution. Management recommended that the claim be settled in the amount of \$6,610 minus the \$620 that already was advanced to provide temporary housing and other forms of immediate assistance to the family.

Comm. Duenas motioned to approve Resolution 2009-13 as presented; Comm. Palomo seconded. There was no further discussion or objection and the motion passed.

4. Resolution FY2009-14: Relative to New Fees & Rates for GWA

This matter was tabled.

VII. OLD BUSINESS

1. Resolution FY2009-15: Final Change Order Outfall Projects

Management reported that this change order is necessary to pay for the completion of the project and to fairly compensate Michel's Corporation for sunk costs, including \$772.5k in costs associated with delays due to the lack of water at Tanguisson Northern District, \$734.2k in costs associated with differing site conditions such as underground caverns and san along drilling routes etc.) and \$3.2k in costs for the remote operated vehicle to survey the ends of the outfalls. The total amount of the change order - \$1,572,956.83 will come from the bond funds previously approved for this project by the Guam PUC.

Comm. Palomo motioned to approve Resolution FY2009-15; Comm. Duenas seconded. There was no further discussion or objection and the motion carried.

VIII. STAFF REPORTS

1. Legal

Staff Atty. Taylor presented Resolution 16-FY2009 for review and approval. It cited the Commissions position on Bill 92 - legislation that allows the CSC to have jurisdiction over all government employees including those under the CTP methodology. When initiating the CTP study initially, the CCU's intent was to continue to achieve the vision of the utilities and to stop the brain drain taking place amount highly skilled employees at the utilities to ensure that highly skilled employees are properly compensated to ensure these critical resources are retained. The CSC would not know the rationale behind the Alan Searle wage study and would need some training to be brought up to speed as to the aspects that make up the CTP methodology. Atty. Taylor said that certain aspects of Bill 92 would remove authority for determining wage scales from the CCU and place it in the hands of the CSC - an appointed board that is not attuned to the needs of utility. It also would work to reverse the progress made at the utilities in recent years and would be inconsistent with the initiatives developed by the CCU to develop a best in class utility.

Comm. Duenas motioned to approve Resolution 16-FY2009; Comm. Palomo seconded.

In discussion the Chair recommended to amend the resolution to include in the resolved section that copies of the resolution would be sent to every GPA and GWA employee, to the Governor of Guam, all Senators, in particular, the Chairman of the Committee and the Speaker and to cite the specific section in the law.

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

2. Financial

The February Financial report continued to show that revenues are still on a downward trend. The bulk of the loss is at the water side of the spectrum. The CFO said there's a 36% drop in residential and a 30% drop in hotels / commercial sector. There was discussion on commercial accounts and the related lack of billing for some. It was

confirmed that the largest commercial customers are now being billed. The Chairman was adamant about senior management reviewing top accounts themselves to ensure that the billing is being done correctly. The GMCUS said the processes are being addressed and the Chairman said he is nervous that exception reports are not be scrutinized especially because of GWA's revenue problems. He said somebody has to look at this very serious issue. He said GWA's financials won't get better until the revenue piece is resolved.

3. Production & Treatment

It was noted that this report would change due to the ongoing re-organization at GWA.

4. Collection / Distribution

It was reported that this report would change due to the ongoing re-organization at GWA.

5. Asst. GM Consolidated Administration

There was no report submitted.

6. Chief Engineer

The Chief Engineer reported on highlights of his report (copy in Master File). He said the Rte 5 transmission line – FENA bypass project is completed; painting on the Mangilao tank is ongoing; the Sinajana Phase II project is now under construction. Phase II bid will be awarded shortly; the remaining materials should be arriving shortly for the old Agat project and will break ground shortly; the final building permit is pending for the Ugum Treatment project. If the building permit does not come thru before the rainy season begins the renovation project may be delayed until the next dry season next year because only 50% of the plant would be operational and this is not recommended during the rainy season with torpidity issues etc.

7. Compliance / Safety

The Compliance / Safety report was submitted (copy in Master File) but not discussed.

8. Human Resources

There was no Human Resources report submitted.

9. Communications / PIO

There was no Communication / PIO report submitted.

IX ANNOUNCEMENTS

1. Next CCU Meeting

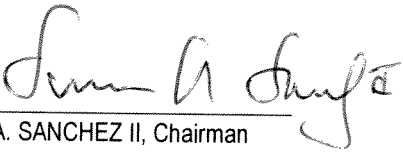
The Chairman announced that the next CCU meeting would be for GPA on April 28, 2009.


X. ADJOURNMENT

There being no further business to bring before the Commission, the meeting was adjourned at 8:15 p.m.

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Attested:


SIMON A. SANCHEZ II, Chairman


GLORIA B. NELSON, Secretary