



# 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* 5:30 p.m. May 24, 2011

### MINUTES

#### I. CALL TO ORDER

Chairman Simon Sanchez called the regular meeting of the Guam Waterworks Authority to order at 5:40 p.m. He announced that all four (4) Commissioners were present & that there was a quorum. Comm. Hara was excused. Others in attendance include:

##### Commissioners:

Simon A. Sanchez	Chairman
Benigno Palomo	Vice Chair, GPA
Gloria B. Nelson	Secretary
Joseph (Joey) Duenas	Treasurer

##### Executive Mgmt:

John Benavente	GMCUS
Sam Taylor	Staff Atty., GWA

##### Management & Staff:

Paul Kemp	Asst., GM / Safety & Compliance
Lisa San Agustin	Customer Service Supv. / Customer Service, GWA
Mark Miller	AGM Production & Treatment / GWA
Paul Lujan	Equipt. Maint. Superintendent / GWA
Jesse Lujan	AGM Collection & Distribution / GWA
Julie Adams	Human Resources / GWA
Tom Cruz	Engineer Supervisor / GWA
Yuka Cabrera	Internal Audit / GWA
Gilda Mafnas	Controller / GWA
Vince Guerrero	Buyer Supervisor II / GWA Warehouse & Supply
Martin Roush	Chief Engineer / GWA
B. Lou Sablan	Board Recording Secretary / GPA-GWA

##### GUEST

Rick Unpingco	Asst. GM / Veolia Water
Gerald Fitzgibbons	Gen. Mgr., / Veolia Water
Cyrus Luhr	Staff / Sen. Tom Ada

#### II. APPROVAL OF MINUTES

The Minutes of April 28, 2011 was presented for approval.

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

### **III. GM (CUS) REPORT - None**

### **IV. GM REPORT**

#### **1. Meter Update**

Acting GM Benavente reported that May billings to date are \$5.3M and tracking 3.2% below projections. Relative to zero reads he said the percentage has dropped from 17.6% in April to 17.3% in May, comparing the first 12 routes of the billing cycle.

#### **2. DoD/GoJ/GWA meetings**

The meeting with the Department of Defense, Government of Japan and GWA that was scheduled for June 3<sup>rd</sup> was postponed. No new dates have been announced. The technical teams continue to prepare the scope of work and tender documents in order to be ready to issue the tenders once all the funding and financing issues are resolved and loan agreements approved. GWA's Chief Engineer will be in Japan for a couple days this month to coordinate and review this effort.

#### **3. Stipulated Order Agreement**

The U.S. District Court has made no decision on the amended stipulated order & no additional requests have been made either for more information or for future hearings. He reported that management continues to move forward to implement the technical solutions worked out in a proposed new amended stipulated order. Some include the award of the contract for Groundwater Chlorination; the contract to Veolia to conduct the bio-solids study to determine the best way to handle sludge; the contract for the Barrigada tank design to name a few.

There was discussion on the rest of the projects related to the stipulated order (that would be funded by the \$87M) – how long would it take to award the various contracts i.e. timeline for issuance of RFP's, selection of contractors etc. It was mentioned that within 60 days a majority would be contracted. The Chairman asked that at the next meeting he would like to see a quick summary showing the projects that will be funded by the \$87M, amount, expected RFP issue date, design and construction timelines.

#### **4. PUC Order – GovGuam Infrastructure Bond Repayment**

The Chairman said there is a situation with the PUC where they ordered GWA to work with the ALJ relative to this matter and there are some differences of opinion. He asked Legal Counsel to advise the CCU on the recommended process which resulted in the referenced document (distributed to CCU – NO COPY IN MASTER FILE). There is competing legal opinion and It is possible that the PUC will be presented 2 different viewpoints. There are more meetings being planned and the Chair said he would advise the body by Friday. It is important the management also submit an order based on our own conclusions. It was mentioned that the District Court may get involved if the PUC / GWA can't work things out. At this point, GWA's Bond Counsel does not agree with what the legislature authorized. The bottom line is if Stan Dirks does not want to agree, GWA cannot move forward. Legal Counsel added that there is a formal hearing process and it is up to the ALJ to allow the hearing. GWA's Legal Counsel recommended that GWA ask PUC for a formal hearing to present GWA's opinion directly to the PUC. If GWA makes the request and PUC denies it, at least it will show on record. He added that any order issued by the PUC is immediately appealable to the Court within 30 days.

#### **5. USEPA Technical Assistance Kickoff**

A kickoff workshop was conducted on May 11, 2011 on Guam. USEPA, CDM and GWA managers were all participants. He said the workshop was successful and would provide an excellent start for this key technical assistance. He added that USEPA, GEPA and GWA have worked out many issues relating to prioritization and use of State Revolving Funds estimated at over \$20M. GEPA will conduct a public hearing and it is expected that the GEPA board would approve the list of projects within the next 60 days.

#### **6. Major Wastewater Upgrades Contract Award**

Management expects to award GCIFI a contract for \$3.4M for the upgrade of wastewater facilities at the Mamajanao Sewer Pump Station, Agana Sewer Pump station and the Chaot Sewer Pump Station and collection system. This project will improve the central wastewater system and is expected to be completed in about 496 days after the notice to proceed. The funding is part of the \$5M set aside for the moratorium project which was a part of the Bank of Guam \$30M short term loan.

#### **7. General Manager Recruitment**

The Acting GM said that the GWA GM recruitment negotiations is nearly complete and said he believes that management can hold a press conference sometime next week to make the announcement.

### **V. COMMUNICATIONS**

#### **1. Public Comments - None**

### **VI. NEW BUSINESS - None**

### **VII. OLD BUSINESS - None**

## VIII. STAFF REPORTS

### 1. Communication / PIO - None

### 2. Compliance & Safety

A report was submitted (copy in Master File) but not discussed.

### 3. Engineering

The CE said there are 21 procurement items on the Engineering Report – the implementation of the bond. In order to spend the money procurement must be satisfied. He mentioned that the bio-solids management plan is being worked on by Veolia and once done will make a very big difference financially. He added that solids management is important. It represents only .1% of waste water product; it adds up and is expensive to bring to the landfill. He also said the Navy wants to participate in the bio-solids program.

### 4. Financial

The CFO reported Re Balance Sheet – most of the activity is related to 2010 bond issue, there's movement between last year's balances and this year; 50% of movement in CIP is related to 2005 Bonds and other to grants & ARRA funds; Payables – half are current and balance is over 60 days; Long-term debt includes \$118M is included; Collection ratio is 102%. Re Statement of Operations / Earnings - 1.5 debt service coverage ratio - an improvement from last month; Operating Income targets were met; Expenses are slightly above budget attributed to utilities, salaries and wages. Re Comparative FY vs., prior year – showing improvements but not at anticipated pace considering recent rate increase; still making \$2M revenue over prior year; operating income \$2.4M vs. \$3.2M prior year – about \$800k below prior year; debt service coverage 1.15 vs. 1.67 prior year but better than last month; net income shows loss of \$973k vs. \$5M prior year – CFO attributes this to shortfall in revenues, water purchases and others.

Chairman said revenues are better this year than last year by \$2M and cited several factors he believes are adding to the loss of income. \$1M in insurance expenses & \$3M in bank interest that we didn't have last year; \$2.3M in capital contributions, that is less this year than last year – this is about \$6M that is beyond management's control; in addition we also thought revenues would be higher. The only item that is still unexplainable is payroll – this item is \$11.7M vs. \$10.3 M prior year - \$1.4M higher. CFO said there is more overtime and expenses are greater this FY. The CFO is doing an analysis to see why the high overtime hours and he said it is a tedious process. The GMCUS said he will work with the CFO to study this matter and get back to the CCU.

There was discussion on the status of GovGuam Insurance Coverage. GPA/GWA employees are covered by the same blanket agreement as the whole of GovGuam and it was said that the General Fund will soon not afford to make the insurance premiums with the current GovGuam insurance provider. Comm. Duenas wanted management to look into the possibility of securing insurance for GPA/GWA employees should this Administration not be able to carry GovGuam employees any longer; he would like to see that GPA/GWA employees are protected. The Commissioner asked management to look into this matter ASAP should the need arise.

The discussion refocused on the financial report the Chairman mentioned that overall the revenues are off by \$8M - \$3M revenue \$500k in payroll, \$600k capitalized labor \$1.9M in Allowance for Funds Used During Construction (AFUDC) and \$2.5M in other capital contributions i.e. shortfall in federal grants. It was mentioned that ½ of the shortfall is due to bad budgeting which means more work needs to be done on the revenue side. He said when preparing FY2013 budget management will remember these lessons learned so it is not repeated.

### 5. Human Resources

Julie Adams reported on the Alan Searle Seminar where Mr. Searle presented to the employees / supervisors the details of the employee evaluations mechanics and how it works. There was also discussion on the apprentice program and how often the program is renewed. The HR Report also listed job vacancies and status, recruitments & when they were filled; detail appointments; promotions. There was lengthy discussion on the detail appointment issue & on filled salary positions “not budgeted”. The CFO said that the funding is in fact there – it comes from the vacant positions for these positions but he needs to confirm it with the budget officer. The Commission likes this report and would like to see it updated at every meeting.

### 6. Legal - None

### 7. Utility Services

Lisa San Agustin reported on Customer Service activities. There are 41,068 active accounts, 3500 accounts in 5 years or a 2% growth. Re collections this report is being reformatted. Collection is strong at 102% of sales YTD; last FY it was at 100%. Re meter reading 86% of AMR's are being successfully read electronically. The Chairman said he likes the report but the scale needs to be changed – start the scale at 65-70 so as not to mask the real change. Sensus Meter Assessment is at 74% and it is anticipated that it will be year-end before completion. Re Revenue Protection majority of effort is still concentrated on non-registering/low registering meters & the process is still ongoing. Disconnect / Reconnect is still business as usual – nothing unusual. Re Customer Service – Julale Center is growing in terms of visits / customer care at that location. Re Call Center – about 800 less calls YTD. Overall division stats is 92% completion overall.

## **8. Wastewater M&O**

Veolia GM, Gerald Fitzgibbons reported that pump station availability continues at 94%. Spills related to pump station is zero – no spills despite a couple of outages. As a result, the pump lift stations are showing more reliability which allows staff to concentrate on cleaning the network. The STIP mandates that 55 miles of sewer be cleaned per year or 1200 ft. per day; this month this number has been exceeded. This is a result of more focus and attention. The Umatac-Merizo Treatment plant has had one of the best months it has ever had – it met almost all its parameters for NPDS permitting except phosphorous. There was brief discussion on sludge control, the Veolia GM said they've identified hot spots on Central Guam and working with them & others on best practices relative to control / disposal of oil / sludge.

## **9. Water M&O**

Jesse Lujan reported on leaks found vs. leaks reported from March 2009 to present. The report charted leaks dating back to the time when leaks were handled by the GRH – GWA's leak detection contractor. Jesse explained the timeframe week 44-45 was when the numbers being reported became an issue. GWA took back the leak detection work from week 45-113 so it happened that the data was not accurately reported between weeks 44-45 because GHR was trying to decide whether or not to continue the contract with GWA or not meanwhile GWA continued to try to keep up with leak reports despite GHR's position. Last month's reported stated that 568 leaks were found and that 590 were repaired. Jesse Lujan said the difference of 22 leaks were from weeks 44-45 when GHR decided to stop their contract. In further discussion, it was mentioned that while leaks are being repaired another leak may happen along the same pipe but at another site.

Martin Roush, CE said GWA has already written a water loss reduction plan. He added that currently the whole leak issue of water loss and water loss control is an art form. The M36 Plan - the world standard for water loss control, from which GWA's water loss control plan is based, tries to take the art and make it into a science. Until the M36 exercise is complete GWA will not understand what is going on with their system. However, once done, GWA will really know what is happening in the system. The planned implementation of master meters will help to further define what is happening. GWA has a lot of parallel work to be done to get the system to where we want it. Placing the pipe system on a routine leak detection / maintenance is part of running a water system. As long as there are pipes above ground or substandard piping system there will always be leak problems. Until we replace all the 2" line on Guam and bury all GWA's pipes, there will not be any substantial changes.

Comm. Palomo asked management to provide a summary detailing what GWA is facing & what management is doing to deal with conditions as they are today. The Commission would like to have a better understanding of this issue.

It was mentioned that GWA's Inspection Round II will be funded by ARRA funds and is anticipated to begin in a couple months.

## **IX. ANNOUNCEMENTS**

### **1. Next CCU Meeting**

The Chairman announced that the CCU meeting would be a combined power and water meeting on June 7<sup>th</sup>

At this time, the regular meeting was recessed; it was 8 p.m.

Comm. Duenas motioned and Comm. Nelson seconded to move the meeting to Executive session which started immediately.

## **X. EXECUTIVE SESSION**

### **1. Albert Aguon Settlement**

This matter was discussed.

### **2. Personnel matter**

This matter was discussed.

Executive Session ended at 8:10 p.m.

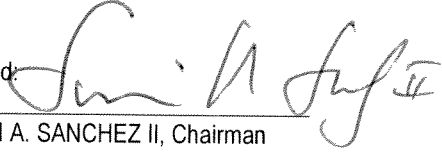
Comm. Duenas motioned and Comm. Palomo seconded to approve the recommendation made by Counsel in reference to Litigation. There was no objection or further discussion and the motion carried.

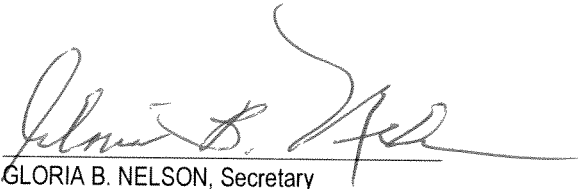
**XI. ADJOURNMENT**

There being no further business to bring before the Commission, the meeting was adjourned at 8:11 p.m.

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Attested:

  
SIMON A. SANCHEZ II, Chairman

  
GLORIA B. NELSON, Secretary