



CONSOLIDATED COMMISSION ON UTILITIES

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

GUAM POWER AUTHORITY Regular Board Meeting GPA Board Conference Room 5:30 p.m., November 9, 2010

MINUTES

I. CALL TO ORDER

In the absence of Chairman Sanchez, Vice Chairman Palomo chaired the meeting. He called the regular meeting of the Guam Power Authority to order at 5:50 p.m. and announced that three (3) Commissioners were present which represented a quorum. For the record, he announced that Chairman Sanchez, Comm. Hara and GMCUS, John Benavente are on GWA business in New York and are excused. Those in attendance include:

Commissioners:

Benigno Palomo	Vice Chair, GPA
Gloria Nelson	Secretary
Joseph (Joey) Duenas	Treasurer

Executive Mgmt:

Randy Wiegand	CFO
Melinda Camacho	AGMO (A)

Management & Staff:

Ron Okada	T&D Manager / Transmission & Distribution
Lenora Sanz	Controller / GPA Finance
Cora Montellano	Asst. CFO / GPA Finance
Paul Kemp	Asst. GM Safety & Compliance / GWA
Lou Sablan	Board Recording Secretary / GPA & GWA

GUEST

Laura Matthews	PDN
Andrew Lee	Sherman Consulting

II. APPROVAL OF MINUTES

The Minutes of July 13, 2010, August 10, 2010, Sept. 14, 2010 and Oct. 19, 2010 were presented for approval.

Comm. Duenas motioned to approve all 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 - None

IV. GM REPORT / UPDATE

The usual reports below were included in the packet but not discussed.

1. System Update
2. Government Receivables
3. Operation Dept. Reports
4. System Losses
5. Fuel Inventory Update

V. COMMUNICATIONS

1. Public Comments - None

VI. LEGAL COUNSEL - None

VII. NEW BUSINESS

1. GWA Resolution 05-FY2011: Veolia Contract for Chlorine Cylinder at NWWTP

Asst. GM for Safety & Compliance, Paul Kemp advised that GWA has several chlorine cylinders located at the Northern District WWTP that may contain significant quantities of Chlorine, a very hazardous material; that GWA has determined that these containers are beyond their service life and do not appear to be in serviceable condition. GWA is required to manage potentially hazardous waste materials in a manner that poses no risk to the community. GWA has evaluated the situation and prepared a management plan that is acceptable to Guam's local response agencies and USEPA.

GWA has negotiated a sole-source draft environmental services contract with Veolia Environmental Services to execute the "Plan" that has been approved by USEPA and with Resolution 05-FY2011 is seeking CCU approval to enter into a contract to deactivate the chlorine cylinders in an amount not to exceed \$402,000. A sole-source justification was provided in support of this request (copy in Master File).

Comm. Nelson motioned to approve Resolution 05-FY2011; Comm. Duenas seconded.

In discussion it was mentioned that the process would require that the contents, if any, of the chlorine cylinders would be sucked out to make sure it is not toxic. It was mentioned that legal counsel reviewed the contract and that it meets all legal requirement. There was also discussion re the sole-source aspect and management responded that removal of these tanks require specialized equipment and certified technicians and that after extensive research for a reputable, licensed company it located only one (1) entity that can perform this specialized work – that entity is Veolia ES Special, Inc. from Wisconsin.

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

2. Resolution 2010-61: Relative to Regulatory Services with Black & Veach

3. Resolution 2010-62: Relative to Regulatory Services with RW Beck

Resolution 2010-61 and 62 are similar and was entertained together. The CFO said management knew that the utility would need a contract for its regulatory needs because of the Customer Service Agreement with the Navy and its regulatory matters related to the Public Utilities Commission. He said that when the RFP was issued management thought that the regulatory consultant that it hires would review / consult on both CSA and PUC related matters. However, as the RFP was being reviewed, management realized that Black and Veach's strength was in Navy CSA issues and RW Beck's seemed strong in regulatory matters. Management then decided to split the contract into 2 areas of responsibilities – the CSA and PUC / Rate Case support.

Black and Veach - The CFO provided the Commission with a handout showing the schedule that B&V did in previous years and currently doing. He said the Navy has a fleet of consultants helping them with their negotiations and the CFO said that the Navy contract could be as high as \$2Billion (that changes hands) and it is important to have a world class consultant assisting the Authority with its negotiations. The current Contract with B&V is valued at \$500k and while this threshold has not yet been met, management would like to increase it to \$1Million as a safeguard against forced interruptions due to budgetary constraints.

RW Beck – The CFO said most of the work they have been doing is geared towards studies. The PUC allowed GPA to fully fund its working capital fund but did not want the utility to have any more cash on top of that. RW Beck did a survey on 10 utilities with similar characteristics to GPA and recommended what GPA's cash target should be as well as the length of GPA's LEAC periods, the calculation of debt service coverage and others. They are currently doing a financial management plan. GPA is looking at an approach where it can pursue multiple year rate increases rather than 1 at a time. The 10-year financial plan provides a foundation to interact with PUC to get into a series of rate increases within a 5-year plan similar to the GWA's. In addition, PUC has asked GPA to rework its fuel hedge program; they want additional checks and balances in the plan. Similarly, there is a self-insurance report that is due in January and of course the big one – the rate case that management plans will take effect on 10/1/2011. These are some of the activities that management plans to utilize the help of RW Beck. The amount management is requesting (to increase RW Beck's contract) is \$1.2 Million.

Comm. Duenas motioned to approve Resolutions 2010-61 and Resolution 2010-62 for discussion; Comm. Nelson seconded.

In discussion, Comm. Duenas recommended that the resolution be amended to include the scope of work clarifying / identifying who is responsible for what. Comm. Nelson added the amount of the contract amount be noted in the Resolution 61, page 2 line 2. Comm. Palomo recommended that the handout showing expenses to date, by Black and Veach / RW Beck respectively, be attached as Exhibit A to both Resolutions.

On the motion, there was no further discussion or objection and both Resolutions 2010-61 and Resolution 2010-62 passed as amended.

4. Resolution 2010-63: Re Petition PUC for Use of 2010 Bond Funds for Generation Project

Engineering Mgr. Melinda Camacho said the 2010 Bond Series has a list of \$16.9Million in Generation projects. A list of T&D projects has been already been submitted to PUC and management received their approval to proceed. She indicated that management has been working to identify critical issues related to the Cabras 1&2, Cabras 3&4 plants as well as the automatic generation control project. In working with the PMC's for the plants, a project list has been developed together with estimates and management is now ready to petition the PUC for their approval.

Comm. Nelson motioned to approve Resolution 2010-63. Comm. Duenas seconded.

In discussion Comm. Duenas asked if any of the projects on the list impact the planned move to the new facility in Fadian and the response was no.

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

5. Resolution 2010-64: Approval to Finance Cabras 2 O&M Work & Petition PUC to Approve Financing

Melinda Camacho said in line with getting GPA's capital improvement program together at Cabras 1,2,3 & 4, management recognized during the Cabras 1&2 overhaul that the boiler tube needs to be fixed so it can be more efficient. In working with the PMC for Cabras 1&2, goals to be undertaken and parts needed were established. The \$1.5Million repair is to be incorporated into the overhaul that will take effect in Aug-Sept. but is not considered routine or part of the original plan going into this budget year. TEMES, the PMC for Cabras #2, is willing to finance the cost for the major overhaul work at 5% annual interest for a period of 18 months. Management needs to petition PUC for its approval as soon as possible because the procurement takes about 10 months.

Comm. Duenas motioned to approve Resolution 2010-64, Comm. Nelson seconded.

In discussion, Comm. Nelson asked about the \$1.5M expense breakdown. Ms. Camacho said she would include this list as an Exhibit to the Resolution. Comm. Palomo said the Authority spends a lot of money to maintain the current generating plants and asked that management provide a list that shows the beneficial useful life of these generation equipment after respective repairs.

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

6. September 2010 Financials

The CFO handed out the September Financials for CCU review. He said that a year-end presentation will be scheduled at the next meeting. He cited 1 change – the interest on the recent bond issuance. The interest was capitalized for 36 months and the Auditors said that even if the interest is being paid by the capitalized interest fund, it needs to be showed as an expense. Overall for FY2010, GPA has lost revenues by \$6Million. A full report will be presented at the next meeting.

There was discussion on working with banks who will give a good return on the \$7Million in self-insurance fund. Comm. Duenas said this is a roll-over fund and the Authority should try to get as much as it can.

VIII. OLD BUSINESS - None

IX. ANNOUNCEMENTS

1. Next CCU Meeting

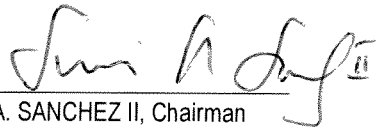
Vice Chair Palomo announced that the next meeting would be for GWA on November 23rd.


X. ADJOURNMENT

With no further business to bring before the Commission, the meeting was adjourned at 6:20 p.m.

llsl
bls

Attested:


SIMON A. SANCHEZ II, Chairman


GLORIA B. NELSON, Secretary

