



# CONSOLIDATED COMMISSION ON UTILITIES

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

## GUAM POWER AUTHORITY & GUAM WATERWORKS AUTHORITY REGULAR BOARD MEETING *GPA Board Conference Room* 5:00 p.m., December 15, 2009

### MINUTES

#### I. CALL TO ORDER

Chairman Sanchez called the regular meeting of the Guam Power Authority and Guam Waterworks Authority to order at 5:35 p.m. He announced that all five (5) Commissioners were present.

#### Commissioners:

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

#### Executive Mgmt:

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

#### Management & Staff:

Martin Roush	Chief Engineer / GWA
Yuka Hechanova	Internal Auditor / GWA
Tom Borja	Facilities Mgr. / GPA
Ron Okada	T&D Mgr. / GPA
Joseph Manibusan	Asst. Mgr., Generation /GPA
Elaine Cruz	Personnel Services Admin. / GWA HR
Paul Kemp	Asst. GM, Compliance & Safety / GWA
Cora Montellano	Asst. CFO, / GPA
Heidi Ballendorf	Director of Comm.& PR / GWA
Lenora Sanz	Controller, GPA
Pam Aguigui	Chief Budget Officer
Angela Quinto	Internal Auditor / GPA
Jamie Pangelinan	Supply Manager / GPA
Mark Miller	Asst. GM, Production

## GUEST

Rick Unpingco	Deputy Manager / Veolia Water
Lisa Hauser	VK / Baker Tilly
Dave Varana	VK / Baker Tilly
Dustin Lowery	VK / Baker Tilly
Andrew Mullvain	VK / Baker Tilly
Tom Ada	Senator
Laura Matthews	PDN

## II. APPROVAL OF MINUTES

The Minutes of November 17, 2009 was presented for approval.

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

## III. GM (CUS) REPORT

### 1. Meter Issue Update

The GMCUS provided an update that was divided into 2 parts – the Task Force efforts and a long term solution. He also provided an attachment that shows that December billings are tracking 8.7% higher than November.

**Task Force** - The TF continues to address zero and low read findings which are now tracking lower than earlier in the year. The number of zero read meters is now tracking below 700 compared to about 1,000 earlier in the year.

**Long Term Solution** – The GMCUS reported that management is near an agreement with Metron Farnier on a plan to accelerate the process of correcting zero reads and low read meters in the system. He anticipates that an agreement will be reached in two weeks. Once an agreement is reached, it will be presented to the CCU for adoption and implementation. He said the report would be inclusive of estimated cost and targeted timelines. He also mentioned that the plan will address GWA's metering issues and provide a long term acceptable metering program.

## IV. GM REPORTS

### 1. Water

The GM reported on several matters (copy of report in Master File).

**Short-term Lending** – The GovGuam guarantee on the short term loan is stalled in the Legislature until January.

**Management Audit** – The GWAGM recognized the VK/Baker Tilly team. He said they are on island conducting their field work interviews which will conclude tomorrow and announced that there's a meeting at 2:30 to update the CCU on the project status.

**Draft Environmental Impact Statement** – DOD /EIS is in process and GWA will have a draft first week in January.

**EPA** – The Staff Attorney filed the waiver denial appeal. There was a meeting with Region 9 last week. EPA has over 50 personnel working on the Guam Military buildup, including Presidential political appointees who are reviewing the DEIS, validating project needs, and lobbying for funds. There was discussion regarding formulation of a strategy for GWA pursuing the integration of the Air Force MW series wells which are currently dormant and non-producing. He added that EPA/DOI legal staff is working on a proposal for a holistic post SO strategy. WERI has a fairly well developed 3D sub-surface model and is collaborating with GSS in the DOD funded model update; the SRF funding has been increased for FY2010 to \$13M. in addition there has been a \$600k earmarked with \$490 matching funds for waste water projects and the GM commended CW MZ Bordallo for her effort.

**SDC Update** – there's ongoing communication between PUC and legal counsel. Most likely it will be January before the SDC petition is heard at PUC if not December 2009 provided the PUC has a meeting.

**2. Power**

The GWAGM said he has no remarkable comments to provide. Sept 09 Financials (passed to CCU only)

**V. COMMUNICATIONS**

**1. Public Comments - None**

**VI. LEGAL COUNSEL**

**1. Water - None**

**2. Power - None**

**VII. NEW BUSINESS**

**1. Water**

**a. Resolution 06-FY2010: Relative to Approval of Tank Inspection Repair Contract**

Atty. Taylor said this resolution is related to a contract with Core Tech International for GWA's island wide tank inspection and repair. The total bid is \$2.44 Million to be done in 2 phases – Phase I to conduct an assessment on the structural integrity of the tanks and Phase II to have an engineering firm conduct an internal inspection of each tank and if minor problems are discovered. GWA is seeking approval of Phase I of the project in the amount of \$400k to be paid from the 2005 bond Series proceeds and provide management with the option to amend the contract to include the remainder of the work called for under the contract for Phases I&II for \$2,440,500 with a 10% contingency for change orders. There was only one proponent to the bid and for the record it was clarified and confirmed that the ads for the bid was processed according to law; a committee reviewed the package. The GWAGM concurred. Comm. Palomo recommended that all proper documentations inclusive of bid ads be included in the packet for Board review.

Comm. Nelson motioned to approve Resolution 06-FY2010; Comm.Duenas seconded. There was no further discussion or objection and the motion passed.

**b. Resolution 07-FY2010: CCU Adverse Action Appeal Processes**

The Legal Counsel presented Resolution 07-2010 and explained that this resolution effectively allows the CCU to hear CTP adverse action appeals. Pursuant to adverse action procedures for CTP employees created under P.L. 28-159, the CCU may hire Administrative Counsel to handle procedural matters related to CTP adverse action appeals. He said the Commission will actually be the body to act on the motions but they are allowed to hire a hearing officer. To fill this need, Management / HR officials at both GPA and GWA recommended attorney's Bob Cruz, Anthony Camacho or Ron Aguon who all have experience handling civil service commission matters and are qualified. The Chairman may select an alternate attorney if these persons are unavailable. Each utility shall pay those costs for the Administrative Counsel to process the appeals of its employees and if heard jointly, shall be apportioned to each utility based upon the time spent by the Hearing Officer.

There is an appeal case pending at GWA and it is urgent that this matter be acted on immediately. Given the time limitation, the CCU Chairman is authorized to hire any of these individuals based on availability. The maximum per hour rate will not exceed \$150 per hour.

For the record if Bill 92 passes there will not be need to exercise this policy. It has been resurrected and was advised by sources at the Guam Legislature that it will be heard sometime in January.

**Comm. Duenas motioned to approve Resolution 07-FY2010; Comm. Nelson seconded. There was no further discussion or objection and the motion passed.**

**2. Power**

**a. Resolution 2009-61: Extension of Existing Diesel Engine Cylinder Oil Supply**

The AGMO, GPA said there is an existing contract with Shell for Cylinder Oil Supply that expires on November 30, 2009. GPA also has a bid currently being reviewed at PUC but anticipates that the review process will be completed in January 2010. GPA determines that there is a need to extend the current contract from November 30, 2009 to January 31, 2010 to allow purchase of diesel engine cylinder lube oil until the new contract is approved. Shell has agreed to amend the expiration date of the existing contract up

to December 31, 2009 with an increased cost from \$6.85 to \$7.40 per gallon subject to CCU approval. The expenses for Dec. 2009 to Jan. 2010 are estimated at 50,000 gallons or \$370k which exceeds the GM's obligatory threshold and is seeking approval.

Comm. Nelson motioned to approve Resolution 2009-61; Comm. Duenas seconded. There was no further discussion or objection and the motion passed.

**b. Resolution 2009-62 Funding Increase for Residual Fuel Oil Supply**

The AGMO said the current contract with BP Singapore expires on January 31, 2010. GPA has a bid that opened today. GPA anticipates that the new contract will be awarded in March 2010. GPA determined the need to secure its residual fuel oil supply order under the existing contract with BP Singapore for delivery to GPA in March 2010 to ensure uninterrupted supply of residual fuel oil until the new contract is awarded.

Comm. Nelson motioned to approve Resolution 2009-62; Comm. Duenas seconded. There was no further discussion or objection and the motion passed.

**c. Resolution 2009-63: LEAC Adjustment**

The GPAGM presented Resolution 2009-63 for approval. A billing scenario was handed out. For the record, the Chairman said the CCU had a work session to discuss the LEAC adjustment in detail prior to this meeting. The final proposed adjustment to LEAC is 9.6% on the rate per 1000 kWh and 6.28% of total bill. Fuel charge continues to be 2/3 of the power bill. The resolution was reviewed in detail and amendments were made to some of the verbiage.

Comm. Hara motion to approve the resolution as amended; Comm. Duenas seconded. There was no further discussion or objection and the motion passed.

**d. Year End Financial Review**

CFO said that sales is the key financial component so his presentation focused on the sales data that make up this segment – he said the biggest difference is in # of residential customers that show tremendous growth; re kWh sales, the navy, once flat now show a steady increase upwards; government sales are flat; customer sales continue to show a downward trend relative to usage which indicate that conservation is the mindset.

The CFO said the bad news is that GPA incurred a net decrease in net assets of \$13.4 Million. A review of the events of 2009 - the beginning budget included a net loss of \$3.5Million resulting from the exchange of receivables for sales in the revenue requirement; O&M expenses were \$1Million under budget; Sales were \$10Million below forecast and there's an additional \$1.7Million depreciation charge which the auditors may reverse.

The CFO noted other significant highlights – fuel expense continues to trend upward capping at \$254M in FY09; O&M expense relatively flat with exception of the Production Non-Fuel category; Uncollectable accounts relatively stable and below APPA's best case target range; government receivables show significant improvement with only DOE and GWA pending; relative to major balance sheet accounts – receivables & inventory are relatively flat and fuel inventory remains the largest spike.

The Chairman thanked management and all the employees for all the hard work they've put into their responsibilities. He said there is still a lot of work to do and asked everyone for their continued due diligence and support.

**e. Resolution 2009-64: Procurement of Residual Fuel Oil Contract in Bifurcated Manner**

GPA's largest contract and the largest cost component of the delivery of energy to its customers is for Residual fuel Oil (RFO) and the value of the contract will likely exceed \$1Billion over the life of the contract. GPA's baseload generation plants utilize RFO and the Authority has an obligation to provide RFO to the IPP's. Both the CCU and PUC have given the Authority authorization to initiate the procurement process for RFO supply subject to their final review of the contract terms and conditions. GPA has issued its fuel IFB with a due date of Dec. 15, 2009, however, it will be unable to complete its review of the procurement and

make its final recommendation to the CCU at its scheduled December 15<sup>th</sup> meeting. GPA desires to develop its contract recommendation over the next few days and initiate a parallel final review track with the CCU and PUC with the final contract approval coming before the CCU at its scheduled meeting in January.

Comm. Hara motioned to approve Resolution 2009-64; Comm. Duenas seconded. There was no further discussion or objection and the motion carried.

VIII. **OLD BUSINESS**

1. **Water – None**

2. **Power**

a. **Resolution 2009-59: Approval of CCU Bylaws & Code of Conduct**

Resolution 2009-59 was introduced, reviewed and discussed at a previous CCU meeting whereby comments and recommendations were duly noted. Comm. Duenas, author of the CCU Bylaws and Code of Conduct said the document has been amended as discussed and brings it before the Commission for formal adoption.

Comm. Nelson moved to approve Resolution 2009-59; Comm. Hara seconded. There was no discussion or objection and the motion passed.

IX. **ANNOUNCEMENTS**

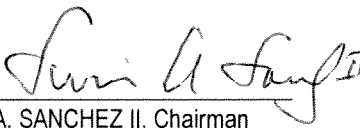
1. **Next CCU Meeting** - The chairman scheduled the next CCU meeting for GWA on Wednesday, January 13<sup>th</sup> and GPA on January 26<sup>th</sup>. Other announcements include GPA's Christmas Party hosted by GPAEA at Hyatt Regency on 12/12 and GWA's Christmas Lunch & GM's Annual Employee Recognition / Appreciation Award @ 11:30 a.m. also on 12/12.

X. **ADJOURNMENT**

There being no further business to bring before the Commission, the meeting adjourned at 7:30 p.m.

llsl  
bls

Attested:

  
SIMON A. SANCHEZ II, Chairman

  
GLORIA B. NELSON, Secretary