



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 23, 2010

MINUTES

I. CALL TO ORDER

Chairman Sanchez called the regular meeting of the Guam Power Authority and Guam Waterworks Authority to order at 5:20 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
Greg Cruz	GWA-CFO
Sam Taylor	Staff Atty., GWA

Management & Staff:

Martin Roush	Chief Engineer / GWA
Yuka Hechanova	Internal Auditor / GWA
Paul Kemp	Asst. GM, Compliance & Safety / GWA
Jess Lujan	Asst. GM, Collection & Distribution/ GWA
Ron Topasna	Water Treatment Plant Superintendent
Ignacio Mesngon	Pumping Station Supervisor
Brett Railey	Engineer
Gilda Mafnas	Controller / GWA
Heidi Ballendorf	Director of Comm. & PR / GWA
Rose Cruz	Customer Service Representative
Victor Torres	IT Manager / GWA
John Pangelinan	Water Construction / Maint. Superintendent
John Blas	
Ed Aguon	Pumping Station Supervisor
Joseph Duenas	Administrative Asst., / GWA Wastewater
Seph Evangelista	Personnel Specialist / GWA HR
Tom Cruz	Engineer Supervisor
Vince Pangelinan	Centralized WW Plant Superintendent
Jennifer Crisostomo	Administrative Aide, GWA HR
Julie Adams	Personnel Specialist / GWA HR
Lou Sablan	Board Recording Secretary / GPA & GWA

GUEST

Rick Unpingco	Deputy Manager / Veolia Water
Gerald Fitzgibbons	General Manager / Veolia Water

II. APPROVAL OF MINUTES

The Minutes of August 4, 2009 was presented for approval.

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

III. GM (CUS) REPORT

1. Meter Update Report

The GMCUS gave an update on the Meter issue in 2 parts – the task force efforts and the progress on the overall recovery plan.

Task Force Efforts – he gave a handout (copy in Master File) detailing that January billings were at \$5.6Million, the highest since the task force was initiated and February is also trending upward. Management said this pattern was mainly driven by higher consumption in December. GWA continues to experience a meter failure rate of about 800 units a month. The total numbers of zero consumption and low reads accounts has increased by about 2-3% this month. The GMCUS believes this increase is due to the redirection of personnel to disconnection of accounts. The Task Force continues to support disconnection efforts to reduce receivables; management plans to hire additional personnel for the revenue protection unit to sustain collection efforts.

Overall Recovery Plan – the GMCUS said that management received the specifications for the new meter test bench which is acceptable to Metron Farnier and plans to purchase the bench by next week; the first order of 1,690 units of the new ¾ inch meters have been placed and should arrive by the end of March. The plan is to place additional monthly standing orders once PUC approves the bond reallocation; the first 1,500 transponder units received from Metron Farnier were installed – priority was give to replace those in the field which had not communicated a reading for 3 consecutive months. The GMCUS said that the meters are now reading at 82% and the goal is to achieve 90% within the next few months. The balance of the transponders – 1,500 units will arrive between late March and early April; an order for the 1-inch and above meters will be executed once PUC approves the bond re-allocation of funds which PUC is expected to address by this Thursday; management will outsource leak repair and meter installation by next month; the 1-inch and above meter repair kits is expected to arrive in mid-March and this will allow management to sustain / maintain commercial revenues.

IV. GM REPORT

1. December Operator Certification Exam results

The GM said the pass rate for certification exams are increasing from 28% to 38% for December. He congratulated the employees and the mentors who participated. He said that GWA is now approaching mainland passing rates and is very optimistic of the results. He said the passing standards for Guam are higher than the mainland; Guam EPA raised the amount of required correct answers to 85% and it's 70% in the mainland. Ultimately the ideal is to get everyone, about 200 employees, certified and right now over 50% are certified at Level 1. In discussion, Comm. Nelson asked why Guam's standard is different; Mr. Paul Kemp said it's legislative and Mr. Angel Marquez cited a public law from which he based his decision. The Commission would like a copy of the statutes

2. AG-GWA MOU (procurements > \$500K)

The GM said that any procurement over \$500k must be reviewed by the AG's office. A contingency of GWA & GPA staff met with the AG and it appears that an MOU could be forthcoming to hire essentially a separate attorney that would be dedicated to reviewing the submittals to prevent any delays. They said GPA/GWA would be billed for this; the other option is for our procurements to wait in que which is not ideal for the utilities.

3. Short-term Lending

The GM is this item is on the Legislative Agenda this week and it looks good for the guarantee will be provided for GWA to borrow up to \$30M. There was a proposal to include the cola obligation in the legislation for those that opted out. GWA's obligation for this would be \$1Million. The balance of the funds will be \$17Million in reserves, \$5Million for the Moratorium, \$5Million for payables, The Chairman added that unspent proceeds could be used for this year's CTP increments for FY2010. This short term loan will get GWA \$120Million in bonds.

4. PG Reports

The PG reports was released the first week of February & distributed to the CCU on 2/5. Management will give a full debrief to key PG, EPA and GWA employees on Thursday morning. Overall the report was fairly accurate and will be utilized in GWA's strategic plan. This is a totally different study from the financial plan.

5. Management Audit Ph II

The Management Audit report was delivered to the CCU last week. Baker and Tilly will be on Guam on February 22nd and wants to meet with the CCU on March 24th. The report was forwarded to PUC and Georgetown.

6. Strategic Planning

Management is starting to plan the next phase of strategic planning – Mission Objective and Goals, Strategy and Action Plan. The PG reports and the Management Audit report will be used in the planning. Mark Miller is putting together an APWA based

accreditation program to not only identify what will make GWA first in class but other key performance indicators that will tell management if the strategic plan is being delivered.

7. DoD Update

The next DOD meetings are scheduled for the first 3 weeks in March – the first week dedicated to exploring GWUDI; Nancy Woo, Region 9 will also be meeting on 2nd week.

8. EPA Update

Comments to draft EIS were dispatched to all stakeholders. There was discussion about EPA's concerns relative to the buildup. It was mentioned that EPA's report was critical of DoD; they mentioned that DoD is not doing enough to prepare for it. The \$57k fines relative to the islandwide tank program will be discussed in Executive Session

9. SDC Update

PUC approved the SDC charge on January 29th and will take effect March 1st. The GM reported that he has assembled a GWA team to do informational presentations to organizations i.e Rotary Club, some engineering groups and others. He said overall, the idea is being received well and is surprised at the lack of concern.

10. Resolution 12-FY2010: Agat Sewer Replacement Project Change Order

The GM asked Julie Shane to make the presentation to the CCU. She said there was some unexpected project exceptions. During the project a very large storm drain was discovered. The 2 most significant items, 1) a 2nd GWA waterline was discovered and because of this the sewer line had to be concrete encased 2) the design missed about 96 houses and they need to get tied-in which means additional cost for laterals, cleanouts, asphalt etc. The current contract is for \$4.4Million and will be amended to include the ratification amount of \$780k and the change order #1 amount of \$962,400 for a total contract amount of \$6.2Million.

~~Comm. Duenas motioned to approve Resolution 12-FY2010; Comm. Nelson seconded.~~

In discussion it was mentioned that this was a very serious mistake and someone was paid to do the work. This matter may be brought back for discussion under Executive Session at another time to determine what action GWA would take, if any.

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

V. COMMUNICATIONS

1. Public Comments - None

VI. NEW BUSINESS

1. Certified Technical Professional (CTP) Compensation

The GM thanked the team that worked on this project and asked the GMCUS to give an overview. The GMCUS mentioned that GWA's CTP was budgeted for the full amount but not implemented because of the lack of sufficient revenues. He said that 4 significant improvements are happening right now – improved revenues, approval of \$2.5M fund reallocation, which will indirectly impact revenue positively, approval of \$30M loan and GWA's plan to float bonds in the summer – all these are positive actions. The CFO was tasked to put all these financial data together in hopes that management will approach the CCU by the next meeting management will have a plan to request implementation of the CTP compensation for GWA CTP employees. Preliminary indication is looking very hopeful.

In discussion it was clarified that management will continue to review revenues to determine how CTP can best be implemented. Comm. Duenas mentioned he would like to have a workshop to discuss the details before presentation to the CCU.

There was discussion on exempt and non-exempt employees – it was mentioned that GWA has 200 CTP and 100 non-CTP employees.

2. Exempt CTP Employee Overtime

Whether or not CTP or non-CTP, there's an issue on overtime and whether they should be paid or exempt. Management is still working on the pay scale piece and in March management will tell the CCU what GWA can afford to pay relative to CTP pay. Management prepared a draft policy for exempt / non-exempt issue for the CCU to review – the SOP was patterned after existing procedures for non-exempt overtime. It's been crafted for exempt employees. One of the main differences, is that straight time rather than time and a half will be applied to all overtime. Early financial projections indicate that this is doable. Comm. Nelson wants employees to get a copy of the policy so that they will understand how management derived at the procedure.

It was mentioned that management will have the entire exempt / non-exempt / CTP / Non-CTP policy will be presented at the March meeting.

VII. OLD BUSINESS

1. GPA Resolution 2010-18: Borrowing Resolution

The CFO said that there was a tight deadline to get SMART Grid in place and did a borrowing resolution just for this project. In the course of implementing the CIP's GPA may pay "reimbursement expenditures" of approximately \$75k which GPA intends to reimburse with the proceeds of the Bonds it issues. Management is requesting to incorporate additional project costs into the list of projects for which reimbursements may be made from the proceeds of the bonds. Resolution 2010-18 is being adopted to declare that management intends to use proceeds of Bonds to reimburse GPA the anticipated \$75k amount GPA has begun to incur for the proposed projects as listed in Appendix A of the resolution.

Comm. Duenas motioned to approve Resolution 2010-18; Comm. Nelson seconded

In discussion, it was mentioned that Appendix A's total is \$72K while the resolution states \$75k and the Commission asked that the appendix be amended to \$75k thus matching the amount cited in the body of the resolution. The Chairman asked that the final copy of Appendix A be circulated to the Commission.

On the motion, the Commission approved Resolution 2010-18 as amended.

3. GPA Resolution 2010-19: Authorizing Write-off for Uncollectible Receivables

The CFO said that a couple of years ago the OPA raised an issue that the CCU approves write-offs. APPA's target for write-off is between .3-.5%; GPA has been right around .3 and is consistent with write-off levels in the industry. GPA has not written off any uncollectible accounts since 2007; the CFO has reviewed outstanding accounts from Sept. 30, 2007 to Sept. 30, 2008. In Resolution 2010-19, management is asking the CCU to write off \$1.9Million in uncollectible accounts – \$1.1Million from FY2007 and \$855k from FY2008. The CFO added that writing off this debt does not preclude GPA from continuing all efforts to collect; GPA has procedures in place to ensure that such bad debts be recovered should these specific customers return to the utility to apply for services in the future.

There was discussion on the statute of limitations and the Staff Attorney said that the statutes of limitations apply if the matter is taken to court but in this case GPA is writing it off and the statutes do not apply.

Comm. Duenas moved to approve Resolution 2010-19; Comm. Hara seconded. There was no further discussion or objection and the motion carried.

3. GPA Resolution 2010-20: Morgan Stanley Commitment Letter

The CFO said that GEDA is the central financial manager for Government of Guam and in 2009 assigned Morgan Stanley to be the underwriter for GPA bond issuances for the next 5 years. GPA has recently been notified of the likelihood of obtaining a Smart Grid grant award under the American Recovery and Reinvestment Act (ARRA) for \$16.6Million with an equal matching contribution by the Authority. GPA will have 120 days to get a financing in place for the purpose of showing evidence of its ability to provide the matching funds for the grant. GPA's financing team determined that it would be appropriate to include a consulting engineer's report as part of the financial package presented to the rating agencies in advance of the bond offering. GPA does not currently have access to a qualified consulting engineer and there is not sufficient time to procure a contract and meet the requirement of the bond issuance.

Management has asked Morgan Stanley to bring a consulting engineer with them as part of the underwriting team and Morgan Stanley has agreed to enter into a contract with an engineering firm and to incur out of pocket expenses projected at \$250k to be paid to the firm upon receipt of monthly invoices. Morgan Stanley has requested that GPA include payments made to the consulting engineer as cost of issuance payable from the proceeds of the planned bond issuance and to make a commitment to reimburse Morgan Stanley for such costs if for any reason the bond issuance does not materialize.

Comm. Duenas motioned to approve Resolution 2010-20; Comm. Nelson seconded. There was no further discussion or objection and the motion passed.

VIII. STAFF REPORTS

Staff Reports were presented but not discussed.

1. Communications / PIO
2. Human Resources
3. Compliance & Safety
4. Chief Engineer
5. Water M&O
6. Wastewater M&O
7. Administration
8. Financial
9. Legal

IX. **ANNOUNCEMENTS**

1. **Next CCU Meeting**

The Chairman set the next CCU meeting for GPA on March 9th and GWA on March 23rd.

The Chairman asked for a recess before moving into Executive Session; it was 8:35 p.m. Executive Session started at 9 p.m.

X. **EXECUTIVE SESSION**

1. **USEPA Fine**

This matter was discussed.

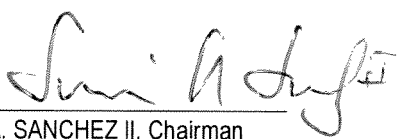
Executive Session ended at 9:35 p.m. and regular session began immediately

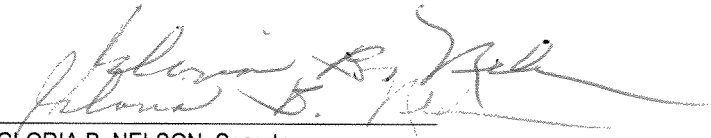
XI. **ADJOURNMENT**

With no further business to bring before the Commission, the meeting was adjourned at 9:40 p.m.

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Attested:


SIMON A. SANCHEZ II, Chairman


GLORIA B. NELSON, Secretary