



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 5:00 p.m., February 24, 2009

MINUTES

I. CALL TO ORDER

Chairman Simon Sanchez called the regular GPA meeting of the Consolidated Commission on Utilities at 5:20 p.m. He announced that all 5 Commissioners were present. Those also present include:

Commissioners:

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

Executive Mgmt:

Kin Flores	General Mgr., / GPA (GPAGM)
Andy Balajadia	Asst. Operations Mgr., / GPA (AGMO)
Randy Wiegand	Chief Financial Officer / GPA (GPACFO)
Graham Botha	Staff Atty., GPA

Management & Staff:

Tom Borja	Facilities Manager
Simon Camacho	Asst. Mgr T&D / GPA
Art Perez	Communications Mgr. / PIO, GPA
Herb Pinaula	Fleet Services Mgr. / Transportation
Pam Aguigui	Chief Budget Officer / Finance
Ron Okada	T&D Manager / GPA
M. Angela Quinto	Internal Auditor / GPA
Melinda Camacho	Mgr. of Engineering / GPA
Lenora Sanz	Controller / Finance
Cora Montellano	Asst. Chief Financial Officer / GPA
John Cruz	SPORD Manager / GPA

Guests:

Gerry Partido	Marianas Variety
Agnes Donato	Pacific Daily News

II. APPROVAL OF MINUTES

The Minutes of September 23, 2009, October 21, 2008, November 24, 2008, December 9, 2008 and January 27, 2009 were presented for approval.

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

III. GM (CUS) REPORT

The Chairman reported that the GMCUS was excused from this meeting.

IV. GM REPORT / UPDATE

The GM announced that the Virchow Krause (VK) work plan was circulated to the CCU; VK cannot act on it until PUC approves it. The GM said that he is trying to schedule a conference call / working session with VK to walk the CCU thru the plan – time frame, budgetary impact, overall principles and philosophies etc. After CCU's blessing, the GM will forward it to PUC and Georgetown for their review and action. The consensus is to schedule the conference call / work session for Friday, 2/27th at 8:30 or 9 a.m.; the time will be confirmed via email after the GM confirms with VK. The Chairman said the next base rate adjustment is contingent on the findings of this management audit.

The GM also announced that he has been invited to K-57 on the base rate issue on Thursday morning to speak about the March 1st roll out of the base rate implementation. The Chair said the base rate got approved a year ago – it represents 1/3 of the total bill. The Navy's rate increase of 19% went into effect last March. The civilian's base rate is about 6% - a 2% impact on the total bill. This was contingent on whether or not GPA collected the street light arrearage from the Govt. of Guam. When the government paid the SL bill, the base rate was delayed for a year from last March 08 to this March 09. It is the first base rate increase in 11 years and ratepayers would like to know how GPA plans to use the added revenues. The Chairman said this must be made clear. The GM said that he would get a list to the CCU but most would definitely be spent on O&M, asset maintenance, tree-trimming and inventory build up to name a few. He said that a press release is needed to get the message out to the ratepayers. The GM mentioned that press release will begin Friday 2/27 and that he will depend on the PIO to make /schedule the timing and placement of base rate media releases.

Comm. Palomo concurred that the public does not have a good grasp on the base rate and why it is needed. GPA has to work harder to make the public understand why the base rate is badly needed. There was lengthy discussion regarding the PDN article that was riddled with erroneous information. The Chairman said management needs to keep repeating and to be consistent in its reporting.

1. **System Update**

Yigo CT is back on line and on standby. The 2 FEMA underground circuits from Harmon to Tangisson power plant have been energized.

2. **Government Receivables**

All government accounts are current.

3. **Operation Dept. Reports**

Substation maintenance and tree trimming are still ongoing. In Spring (March, April) RFP's for solar, wind technologies will be available. Net metering is officially going to launch tomorrow. As of tomorrow, anyone who generates enough energy to match their usage any overage in energy generated will be credited to the following month until the end of the year it zero's out and the process starts all over. There is no monetary exchange. The CFO said the fact that GPA is crediting the whole bill is generous. This is not just limited to solar; it will also apply to other renewable such as wind, micro turbines, bio-diesels etc.

4. **System Losses – Not discussed.**

5. **Fuel Inventory Update – Not discussed.**

V. COMMUNICATIONS

1. **Public Comments (2 min. per person)**

VI. LEGAL COUNSEL

VII. NEW BUSINESS

1. **Resolution 2009-09: Relative to Upgrade of Fire Protection/Smoke Alarm at Dededo CT**

Management presented Resolution 2009-09 requesting to increase the contract amount for P.O. 12156 for GPA's fire protection and smoke detection alarm system at the Dededo CT power plant. The contract with GEMCCO was awarded in January 2008 in the amount of \$600k. Industry standards require the installation of a CO2 Suppression System and an FM-200 Fire Suppression System which was not included in the original construction drawings. Also, additional work was requested from the contractor to install heat detection at the fuel tanks for automatic control of the fire protection system. Furthermore, bolts have to be replaced on both the valves and backflow preventer from the GWA reservoir and must be replaced to maintain service to the power plant. The revised drawing for the additional scope of work and the cost is \$55,875 – the new contract amount with GEMCCO is \$655,875.

Comm. Nelson motioned to approve Resolution 2009-09 as requested; Comm. Duenas seconded. There was no further discussion or objection and the motioned passed.

There was discussion relative to the General Manager's obligatory authority of \$250k. The GM said that this contract was for \$600k and this matter was a \$55k change order or 9% over the original contract price. He was under the impression that his delegated authority for change orders was up to \$250k but was advised that the policy calls for CCU approval even if the change order is only \$1 over the \$250k obligating authority.; he said he thinks he needs to bring this matter back to the CCU and that perhaps the policy needs to be revised because even the PUC authorizes change orders up to 20% over his \$1.5 million obligating authority under PUC guidelines. He said that currently there is a hodge podge of policies that don't marry. The Chairman said he could see the GM's logic and asked management to make a recommendation and then bring the matter back to the Commission. Comm. Duenas, CCU Audit Chair said that perhaps the Audit Committee can look into the matter and assist management on the recommendation and standardize it for both GPA and GWA.

2. December 2008 Financials

The CFO said that sales show a 10th of a % growth over last year. Under-recovery is at \$13million excluding inventory; with inventory it is \$3million. It was mentioned that during the presentation to the Legislature, the under recovery was at \$16million the CFO said this will drop to \$9million in December. The Chairman said that the Commission told everybody and it was the CCU's understanding that we were short \$30million and needed to get back at least half or \$16million and that by August 09 that \$16million would be recovered and if it was recovered sooner then the rates would drop even that much sooner. He said the CCU wants to know in layman terms where we are at and asked management to prepare for an update now that we are half-way through the fiscal year.

Comm. Duenas said part of the confusion is that people don't understand that LEAC is made up of several different items and not just made up of how much money is paid for fuel. It is important that GPA stresses to the public that every 6 months GPA trues-up and when there is an over-recovery, it impact LEAC as well as the projected fuel expenses, inventory costs, hedging contracts all impact how much \$ is put into the bill. The problem with the article is that they focused only on the price of oil.

Sales YTD vs. budget is off by \$1.7million which was caused by the rate increase, the kWh growth which is below projection and the CFO also explained that the PUC asked GPA to apply receivable money as revenue in lieu of a rate increase for the first 5 months of this fiscal year.

VIII. OLD BUSINESS

1. Update re MOU between GPA/GWA and CSC re Adverse Action Appeals

The Staff Attorney reported that the CSC agreed to hear the case that they initially turned away. Still awaiting is the policy decision by the CCU relative to CSC's mention that they will no longer entertain any adverse action from GPA. The CSC said this was reflected in their Board's decision. The problem is the CTP law says that GPA must negotiate with CSC. The CTP law cited that adverse appeals would be resolved via 2 options either a direct appeal to the CCU or to appeal via the CSC; the legislators meant for all adverse actions to be heard by the CSC. They did not give any reason as to their decision. The Chairman asked management to write to the CSC citing the CTP law pointing out that negotiations have not taken place, as required by CTP law. It was clear that the authors of the CTP law intended that CSC continue to hear adverse actions.

IX. ANNOUNCEMENTS

1. Next CCU Meeting

The Chairman set the next meeting for March 10th for GWA and March 24th for GPA.

Comm. Palomo mentioned that there is so much happening at GPA and very little press releases. Art Perez, PIO confirmed that he has submitted several releases which can also be found on the GPA website. The Chairman suggested that the PIO file the releases by subject matter to help ratepayers find them more easily.

X. ADJOURNMENT

There being no further business to bring before the Commission, the meeting adjourned at 6:40 p.m.

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Attested:


SIMON A. SANCHEZ II, Chairman


GLORIA B. NELSON, Secretary