



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 9, 2010

MINUTES

I. CALL TO ORDER

The Chairman called the meeting to order at 5:30 p.m. He announced that all Commissioners were present except Comm. Hara. Others in attendance:

Commissioners:

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

Executive Mgmt:

John Benavente	General Mgr., / Consolidated Utility Services (GMCUS)
Kin Flores	General Mgr., / GPA (GPAGM)
Randy Wiegand	Chief Financial Officer / GPA
Graham Botha	Staff Atty., GPA

Management & Staff:

Rudy Manibusan	Systems Manager / GPA
Melinda Camacho	Engineering Mgr., / GPA
Simon Camacho	Asst. Mgr., T&D / GPA
Mark Pangelinan	Facilities / GPA
Jude Calvo	Planner II / GWA
Julie Shane	Engineering / GWA
Lenora Sanz	Controller / GPA Finance
Pam Aguigui	Chief Budget Officer / GPA Finance
Ron Okada	Manager / T&D
Cora Montellano	Asst. Chief Financial Officer / GPA
Lou Sablan	Board Recording Secretary / GPA/GWA

II. APPROVAL OF MINUTES

The Minutes of Nov. 24th were presented for approval.

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

III. GM (CUS) REPORT

IV. GM REPORT / UPDATE

The following items on the Agenda were not discussed:

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

V. **COMMUNICATIONS**

1. **Public Comments – None**

2. **DOA Treatment of Pension & Post Employment Benefit Liability**

The CFO said that the DOA Director made a determination that rather than being a single employer pension plan the GovGuam retirement fund is a multi-employer pension plan. The impact is that in the recording of the liability – under the current treatment, GPA is required to keep liability in books for unfunded liability for future retirement benefits. This new determination will change GPA's accounting of such benefits and the impact will be that GPA will see a \$14Million gain in the books and it will change the year-end and O&I of the agency. The Commission recommended that management talk to the Auditors about what happens when GovGuam decides to retract this new determination and change back to the system as it now stands.

VI. **LEGAL COUNSEL - None**

VII. **NEW BUSINESS**

1. **GWA Resolution 11-FY2010 ARRA Wastewater Contract**

Atty. Taylor presented Resolution 11-FY2010. GWA received 2 grants managed by the American Recovery and Reinvestment Act (ARRA) of 2009 for dredging / improvements to the Umatac-Merizo WW Treatment Plant and for upgrades to electrical systems at GWA's WW pump stations and treatment plants. The grant amounts are \$535k and \$1.836.5Million respectively totaling about \$2.371.5 Million. The initial bid was for \$5.708.5Million but GWA and Black Construction negotiations resulted in a reduction in the scope of work. The final contract price agreed upon was \$2.329Million for scope of work attached to the resolution. GWA received a rather late notice from USEPA that construction management costs were not an allowable expense under the ARRA funding after initially confirming otherwise. As such, GWA decided to ensure that the \$42k remaining in the project is utilized by amending the current scope of work to account for the additional sum. In this resolution, GWA is asking the CCU to approve a contract with Black Construction Company in the full grant amount of \$2.371.5Million subject to further negotiations to amend the scope of work given the fact that under ARRA, a contract must be in place by February 17, 2010.

Comm. Nelson motioned to approve Resolution 11-FY2010; Comm. Duenas seconded

In discussion, the Commission made several amendments as to form but the content stayed intact.

On the motion, there was no further discussion or objection and the motioned to approve Resolution 11-FY2010 as amended carried unanimously.

The GM commented that the following resolutions were listed on the Agenda because the Manager of SPORD, John Cruz, wanted to be pro-active to inform the CCU that these RFP's are forthcoming. This action was prompted by the recent passage of the legislation relative to the AG's review of all procurement over \$500k. Management was concerned that time sensitive procurement may get caught in the AG's review process resulting in untimely submittals and loss of revenues.

After a long discussion it was decided that it is not necessary to bring matters relative to authorizations to solicit before the Commission. The Chairman said with the approval of the FY2010 Budget, management already has the authority to procure. That said Resolutions 01—04 FY 2010 (agenda items 2-4 below) were tabled

2. **Resolution 2010-01 Relative to Engineering Services - Tabled**

3. **Resolution 2010-02 Relative to Technical Services - Tabled**

4. **Resolution 2010-03 Relative to Forecasting Services - Tabled**

5. **Resolution 2010-04 Relative to Environmental Tech. Services - Tabled**

6. **Resolution 2010-11 2nd Year Ext. of Fuel Farm Facility**

GPA has a current contract with Peterra Inc. for its fuel farm facility. GPA and Peterra extended the contract on a month-to-month basis up to April 30, 2010. The first year extension is expiring on April 20th and the Authority released an IFB for the PMC of the Fuel Bulk Storage Facility and Pipelines in September 09 anticipating that the awarding of the PMC contract would take place before April 2010. However, the bid was cancelled due to insufficient funds because the price proposal received was above the budget allotted for the contract. GPA and Peterra have negotiated and agreed to waive any price escalation and the contract fixed service fee of \$54.3k per month shall remain unchanged. Management considers the price to be beneficial and in the best interest of GPA and is asking the Commission to allow an additional 1-year extension of the current contract.

Comm. Nelson motioned to approve Resolution 2010-11 as presented; Comm. Duenas seconded. There was no further discussion or objection and the motion passed.

7. **Resolution 2010-12 1st Year Ext. of Storage Facility**

GPA and Shell GPA entered into a Storage Agreement to provide GPA with a total capacity of 500,000 barrels of addition storage for GPA's fuel oil. The base period for the Agreement expires on February 28, 1020. The Agreement is now assigned to Tristar Terminals Guam. The Authority wishes to extend the agreement for 1 year, commencing on March 1st. to February 28, 2011 because it has determined that maintaining additional storage is necessary to provide sufficient supply of residual fuel inventory for power generation. GPA and TriStar have negotiated and agreed to waive any price escalation and the contract fixed service fee of \$115.6k per month shall remain unchanged. Management is requested the CCU to allow a 1-year extension of the current Agreement.

Comm. Duenas motioned to approve Resolution 2010-12 as presented; Comm. Nelson seconded. There was no further discussion or objection and the motion carried unanimously.

8. **Resolution 2010-13 Relative to Pipeline Agreement**

GPA entered into a Pipeline Agreement with Shell Guam for the use Shell's pipeline facilities for the delivery and transport of fuel Oil to and from GPA's storage facilities. Shell Guam has assigned the Pipeline Agreement to Tristar Terminals Guam. GPA's total pipeline fee for FY2009 was \$486.4k and the Agreement will expire on February 29, 2010. Management is requesting the CCU to allow GPA to negotiate the extension and amendment of the Pipeline Agreement with Tristar Terminals Guam.

Comm. Duenas motioned to approve Resolution 2010-13 as written; Comm. Nelson seconded. There was no further discussion or objection and the motion carried.

9. **Resolution 2010-14 Relative to F-1 Dock Agreement**

GPA and Shell Guam entered into a Facility User Agreement with Shell Guam for the use of the F-1 Dock Facilities for the handling and receiving of fuel oil import deliveries into GPA's storage facilities. Shell has assigned the Facility User Agreement to Tristar Terminals Guam, Inc. GPA's total Dock User Fees for FY2009 was \$555.4k and GPA is requesting the CCU to allow them to negotiate the extension and amendment of the F-1 Dock Agreement with Tristar Terminals Guam.

Comm. Nelson motioned to approve Resolution 2010-14 as written; Comm. Duenas seconded. There was no further discussion or objection and the motion passed.

10. **Resolution 2010-15 Authorization of Excess Bond Funds**

Winzler and Kelly and Subcontractor R.W. Beck was contracted by GPA to provide Engineering and Technical Services for development of GPA's Strategic Plan, Transmission Study, integrated Resource Plan (IRP) and other related activities. PUC authorized GPA to use Excess Bond Funds due to O&M budget shortfalls, to initiate IRP task activities for wind study and renewable acquisition efforts to support IRP recommendations and Georgetown Consulting Group comments on the Draft IRP. GPA's renewable acquisition is a 2-phase approach for short and long term renewable resources with 2 solicitation methods – an IFB for Phase I and a RFP for Phase II. GPA initiated Phase I renewable acquisition which was cancelled in November 09 due to exclusion of solicitation in the public law which authorizes GPA to enter into long term contracts. The Authority initiated procurement for wind tower to collect wind data for Phase II renewable acquisition in which the solicitation was cancelled due to unsuccessful negotiations. It was also mentioned that GPA negotiated with Winzler & Kelly & R.W. Beck on the scope of services to re-bid Phase I and to initiate solicitation of Phase II renewable acquisition phases as well as a scope or the design of wind tower and wind data to support Phase II acquisition totaling \$204.2k. In resolution 2010-15, management is requesting the Commission authorization to petition the PUC for additional Excess Bond Funds, totaling \$160.6k reimbursable through LEAC to support the wind study and renewable acquisition activities. The total contract costs exceed the GM's authority which is up to \$1.03Million and GPA anticipates the contract to increase to a new total of \$1.2Million.

Comm. Duenas motioned to approve Resolution 2010-15 as presented; Comm. Palomo seconded. There was no further discussion or objection and the motion passed.

11. **Resolution 2010-16 Relative to Pollution Liability Insurance**

During the insurance claim process for the Toto Oil Spill in 2001, GPA learned that its excess liability policy provides no coverage for oil spills occurring near water. GPA's Risk Consultant advised GPA that such pollution liability insurance was expensive and GPA placed the issue on the back burner. When the Authority re-issued its bids for liability insurance in 2008, respondent provided an unsolicited quotation for pollution liability insurance. Based on its availability, GPA asked its Risk Consultant to prepare an IFB for pollution liability insurance. GPA received 2 responses and reviewed and analyzed the offerings. It was determined that Aon Micronesia was the most responsible bidder and GPA will accept its option for a 3-year policy at a cost of \$396k with a \$250k deductible and a \$25Million limit. GPA's bond indenture agreement requires that it secure and maintain property insurance on all facilities to the extent that it is attainable at a reasonable cost. GPA's bond indenture agreement also has a covenant which requires an independent insurance consultant to make periodic determination that GPA's insurance coverage is consistent with other similar utilities. GPA's Risk Consultant has done an assessment and recommended that the pollution liability insurance policy should be added to GPA's insurance coverage portfolio. Management is asking the Commission authority to enter into a contract with Aon Insurance as noted above.

Comm. Duenas motioned to approve Resolution 2010-16 as presented; Comm. Palomo seconded. There was no further discussion or objection and the motion carried.

12. Resolution 2010-17 Relative to Policy for T&D System Insurance

GPA's bond indenture agreement requires GPA to secure and maintain property insurance on all facilities; the indenture further requires GPA to carry insurance of scope and nature as that is usually carried in the industry. GPA has carried transmission and distribution coverage in the past when it was available at commercially reasonable rates but in the past 11 years, this type of insurance has not been available to the Authority. GPA has recently received a pricing indication from one of its property insurance brokers – Norick Risk Funding Concepts – for the provision of transmission and distribution insurance. Management has reviewed the proposal and concluded that the price does not qualify as commercially reasonable and as such, GPA is not obligated to accept this coverage under the insurance covenant of the bond indenture agreement. Management is asking the Commission to concur with the GM's findings in this regard.

Comm. Duenas motioned to approve Resolution 2010-17 as presented; Comm. Palomo seconded. There was no further discussion or objection and the motion passed unanimously.

13. Financial Management Plan

The CFO updated the Commissioners on GPA's 10-year Financial Plan. During the Liquidity Study presentation made by RW Beck in December, the discussion turned to the creation of a 10-year financial plan to help the CCU and the PUC assess how the recommendations of the liquidity study could be implemented. GPA has held more conferences since then to further discuss the development of a financial plan. The Beck consultants confirmed that they have experience with this type of project for most of their client utilities and the plan can serve as a key foundation for rate activity and force the regulatory body to look at the long term impact not just the test year. Based on these discussions, GPA has entered into a task order with RW Beck to perform this analysis resulting in a planning model to be turned over to GPA for maintenance and updating. Management reported that the cost of this project is about \$195k and can be performed within the authorization level previously approved by the Commission and that no further authorization is requested at this time.

14. December 2009 Financials

The CFO reported that kWh sales for the month were .52% higher than projected and that non-fuel revenues were \$0.1 million less than the projections. O&M expenses were also less than projections for the month. The net loss for the month was \$0.7Million as compared to \$0.4 Million at the beginning of the year. Interest expense, IPP costs totaled \$4.7 million, an increase of \$0,2million than projections.

VIII. OLD BUSINESS - None

IX. ANNOUNCEMENTS

1. The Chairman announced that the next meeting would be on February 23rd for GWA.

The meeting was recessed for dinner at 7:10 p.m.

X. EXECUTIVE SESSION

The meeting was called back to order at 7:40 p.m.

Comm. Duenas motioned to move to the meeting to Executive Session; Comm. Nelson seconded.

1. Rate Case Strategy

This item was discussed.

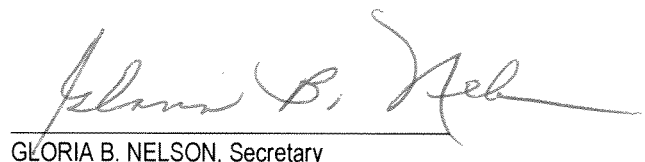
XI. ADJOURNMENT

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

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BLS

Attested:


SIMON A. SANCHEZ II, Chairman


GLORIA B. NELSON, Secretary