



CONSOLIDATED COMMISSION ON UTILITIES

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

CONSOLIDATED COMMISSION ON UTILITIES REGULAR MEETING OF Guam Waterworks Authority *GPA Board Conference Room* 5:00 p.m., Tuesday, April 17, 2007

MINUTES

I. CALL TO ORDER

The Chairman called the regular meeting of the Guam Waterworks Authority to order at 5:35 p.m. and announced that all (4) Commissioners were present.

The attendance roster follows:

Commissioners:

Simon Sanchez	Chairman
Benigno Palomo	Vice-Chairman - GPA
Gloria Nelson	CCU Secretary
Eloy Hara	Vice-Chairman - GWA

Executive Management

John Benavente	GM, Consolidated Utility Services (GMCUS)
Joaquin Flores	GM, Guam Power Authority (GPAGM)
Danny Santos	Asst. GM, Consolidated Administration (AGMCA)
Randy Wiegand	Chief Financial Officer (CFO)

Legal Counsel:

Sam Taylor	GWA Staff Attorney
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Management & Staff:

Victor Torres	Data Processing Supervisor
Tony Chargualaf	Asst. GM, Collection & Distribution (AGMCD)
Prudencio Aguon	
Don Antrobus	Chief Engineer
Elaine Cruz	Personnel Services Administrator
Bernie Sadler	Direct Responsible Charge (DRC), Sewer Treatment Disposal
Mark Miller	Asst. GM, Production & Treatment (AGMPT)
Cora Montellano	Asst. Chief Financial Officer (ACFO)
Paul Kemp	Asst. GM. Compliance/Safety (AGMCS)
Ron S. Topasna	Direct Responsible Charge (DRC), Ugu Treatment Plant
B. Lou Sablan	Special Asst. to Ex. Mgmt. / Executive

Media:	None
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Guest:

Phil Roberto	Representative / Senator Jim Espaldon
Juan Blas Pocaigue	Resident
Jose L. Cepeda	Resident

II. APPROVAL OF MINUTES

1. February 13, 2007 (DRAFT)

The Minutes of February 13th was presented for approval. Comm. Palomo motioned to approve the Minutes subject to verification and written correction. Comm. Hara seconded. There was no discussion or objection and the motion carried.

2. March 13, 2006 (PENDING)

The Minutes of March 13th was tabled pending completion.

III. GM (CUS) Report

The GMCUS gave brief summary of issues that he has encountered in his first few days as Acting GM. He mentioned that GWAs consultant, Mr. David Craddick, has found (2) major leaks totaling 2million gallons per month; teams are currently working to correct the problem. The objective is to reach the major areas as soon as possible.

Some items he reported on are leak detection, ongoing SCADA meetings, the initiation of construction crews to increase pressure in certain areas, review of AMR programs to get a better handle of the timeframe; briefing of managers and superintendent relative to needs, shortfall on budgets to determine overall critical needs that need to be addressed; briefing of managers and supervisors, superintendents have been ongoing and general employee briefings will begin this coming Friday to advise them of goals and directions with the change in management; he reported that he is working with Veolia on completion of the pumper truck procurement which will be resolved this week; CFO interviews are ongoing, one has been completed and another still pending. He said he would like to invite the CCU on the interview process perhaps at the final round. GM position will be advertised next week with ads in the local paper, the Marianas Business Journal and possibly the use of a head hunter. GPSS was given a final notice of disconnection on Wednesday and will be disconnected Thursday if they don't make payment. The possible disconnection is being timed for close of business Friday should they fail so that they have 48 hours to resolve the matter before Monday. This applies to power as well. Comm. Nelson asked management to please make sure that the cafeteria and computer rooms are not affected because it will cost the government more money. The GMCUS said that the total balance overall is \$450k; power is over \$2million. The GMCUS said he would call GPSS again tomorrow to continue discussion in an effort to resolve this matter as painlessly as possible.

There was discussion on the effects of aging receivables on the bond rating. The GMCUS said that there are serious consequences for not enforcing disconnections.

Comm. Nelson talked about the major leak which was recently repaired after (8) years and millions of gallons later. She said that some sort of meritorious recognition should be in place to recognize employees who discover these types of incidences. The GMCUS said he would look into it and develop some kind of award/recognition program. The Chairman said some sort of root cause analysis must be carried out to determine how this matter could go undetected for so long even after it was called in.

IV. **COMMUNICATIONS**

1. **Public Comment**

Mr. Jose Cepeda - advised the Commission about (2) issues. This first is about a \$5k billing which he continues to receive. He first received the billing in early 2004. A DPW garbage truck ran over his meter. When he called in the dispatcher, Mr. Cepeda was advised that DPW had called in already so he left it with the (2) agencies to resolve the matter. He said he has met with GWA management and was told that it was the consumers fault and that the consumer should burden the repair cost, the AG (Mr. Gumataotao) said they will see what they can do and Mr. Perez, DPW's Director accepted that DPW was at fault and gave him a letter of confirmation to that fact dated August 2006. He continues to receive the billing today and Mr. Cepeda is here tonight to seek CCUs assistance prior to resorting to his last resort – litigation.

His second issue is relative to the AMR; he referenced (2) mailers that he received and wanted to know who owns the AMR meter and how water can be turned off, if needed. The Chairman said that there is a law in the books that says consumers are not supposed to touch the meters but it has been ignored. GWA is trying to enforce this law with the use of the new AMR meter boxes that are locked so that customers don't touch the meter. Customers have found creative ways to not pay their bill by bypassing the meter flow. The Chairman explained how the AMR meter works relative to leaks.

At the end of the discussion the Chairman asked the AGMCA to take the lead and work with the Staff Attorney and the GMCUS to resolve Mr. Cepeda's issue. The Chairman said to try to debit the \$5k from Mr. Cepeda's bill and credit it to DPW using the letter as reference.

Mr. Juan Pocaigue – is a resident of Gil Breeze Subdivision for 7 years. He said there is a missing hydrant near his home and there is a gaping hole in the ground. He went to the police who advised it was not their jurisdiction and told him to see his mayor. He also went to the fire department and then to GWA. He said if there is a fire in his subdivision they would not be able to fight the fire because there is no water.

Mr. Pocaigue said he has a meeting with the GMCUS tomorrow afternoon to discuss his issues and this is a good start. The Chairman said that Mr. Pocaigue is caught in the same web as other residents in neighboring Gil Baza where the developer of the land is currently facing litigation. The GMCUS told Mr. Pocaigue that he will meet with him tomorrow; he will look into the matter and will look at alternatives to get him water. Mr. Pocaigue also asked management to please cap off the hydrant.

The Chairman called for a recess at 6:50. The meeting was called back to order at 7:05 p.m.

VI. **LEGAL COUNSEL - None**

VII. **OLD BUSINESS - None**

VIII. **NEW BUSINESS**

1. **GPA Resolution 2007-12: Relative to the Mgmt & Operations of GPA's Fuel Farm**

Mr. Frank Blaz said the Fuel Farm contract will expire on April 30th. GPA entered into a bid for the management operation services which a more elaborate document than the one crafted 5 years

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ago. The last bid contract was for 3 years with (2) 1-year options to extend. For the current bid there were 2 respondents – Peterra and SGS. The bid is a multi-step bid wherein there was a process to qualify the bidders for their technical capabilities. Once it was established that the bidders were qualified to perform the services the bid moved to Step 2 – the price proposal. Both respondents were technically qualified to perform the service for GPA however in the next phase there was some difficulties. During the abstract, both respondents were asked to provide a detail breakdown of their price proposals and then to provide the lump sum. At the bid opening, the abstract showed one respondent with a better price over the other; further in the calculation process, an arithmetic error was found in one of the respondents which affected their total lump sum price. Procurement regulation called minor informalities control this type of circumstance. Both parties were advised that an error was discovered and the proponent with the most responsive price was again identified and that is where we are. Management proposes to award this management operation services to Peterra.

In discussion, it was clarified that initially Peterra had the higher price and at that time was not the most reasonable price for GPA. However due to the arithmetic error, the new calculation determined that Peterra had the most responsive price.

The GPAGM said he would be remiss not mention that GPA received a letter from SGS yesterday requesting a rebid on the basis that they transposed digits on their bid abstract on a line item. There was nothing in their proposal that could substantiate that and it's an issue of bid prices that changed after the fact and is not an arithmetic error. The GM sought legal advice with GPA's Legal Counsel, Mr. Botha, who opined that there is no basis for a rebid. The resolution presented tonight would proceed with Peterra for a private manager for the fuel farm.

Comm. Nelson motioned to approve resolution 2007-12 for discussion; Comm. Hara seconded

In discussion, Comm. Nelson asked GPA's Legal Counsel if the procurement was done in accordance to procurement law. Legal Counsel Taylor confirmed that he has not had a chance to review this procurement and cannot comment. However, Mr. Blaz confirmed that he spoke to Legal Counsel Botha did advise that this procurement was legally transaction and in accordance to procurement rules and regulations.

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

2. MID-YEAR REVIEW

A. FINANCE

The CFO prepared some slides to highlight major areas (copy in Master File) such as receivables, payables, revenues etc. These highlights are listed under the respective subject areas noted below rather than the order in which they were discussed.

1. February 2007 Financials

- Fiscal Year Budget – Act. Vs. Forecast

The Chairman questioned the CFO on the large disparity in revenue between December 06 and January 07, a \$600k disparity in revenue. The CFO said he did not have an answer. It was apparent that February's revenues caught up with January's under billings and the Chairman asked if this was the answer / reason. Comm. Nelson said who would have the answer and the CFO said he

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would have to study this phenomena a little bit more before making a response. He said he would get back to the Commission.

The CFO prepared a year end forecast using February 07 actuals and averaging them out through FY end. Some adjustments were made on the forecast for known factors / changes such as the rate increase. The resulting net earnings were dismal; the CFO said revenues from meters are not happening and they will look carefully at March if there is a recovery. January was a bad month. The good news is that O&M are on track and the bad news is that revenues are not coming in as expected. The YE forecast shows a \$3M shortfall in revenues. When asked what management plans to cut to minimize the loss, the CFO said that the management team still has to work on a strategy to counteract this. The findings are revenues are trending \$3million off budget; net earnings are trending \$1.2 million off budget.

Comm. Palomo said it is obvious that the FY07 revenue forecast was inflated and asked for a work session to look at the detail of this issue to see if there is a way that we can find a way to break even. The Chairman it is important to determine the revenue projections especially since the former GM, David Craddick is still here.

The Chairman said the spending is in line it is the revenue portion of the puzzle that is failing. The GMCUS said he understands that there is a lot of work to be done.

The Chairman said in December 06 the numbers showed that we were plus \$1million and in February 07 we are down \$2.3 Million, a \$3 Million swing in 2 months; he said this does not make sense and in the review of the numbers management must take a look at what happened between 12/31/06 and 2/28/07. If after the review these numbers hold then management needs to tell the CCU their strategy in order to turn this around

There was discussion regarding waste water revenues. Comm. Palomo has had many complaints from consumers that they are over paying for sewer. The Commissioner would like to know whether charges for waste water meet expenditures for waste water. The Chairman mentioned that there were some cost of service studies in the past that have revealed that private sector commercial accounts were paying a disproportionate share of the waste water revenue more than it cost to serve them. Part of the court order is for management to revisit this cost of service. Management was supposed to hire a consultant but this piece of the puzzle was never finished. The CFO mentioned that Brown and Caldwell did a high level cost of service and these numbers are in the Master Plan. The Compliance / Safety Officer confirmed that the B&C Study found that the waste water rates are too low and in the customer classes, the commercial accounts are paying more than their cost and the residential class is paying way under what it cost to provide waste water services.

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- Accounting of Bond Funds

Relative to CIP Expenditures, the CFO stated that GWAs bond covenants prohibit GWA from spending money on revenue funded CIP projects until certain bond funding requirements are met. Because of this, expenditures for revenue funded CIP projects have been minimal; re bond funds we are ahead of schedule and spending at a greater rate; re FEMA we are slower than anticipated; in USEPA we are still working at identifying the targeted projects for the \$2million grant that was guaranteed GWA. The Chair asked why it was difficult to find projects to fund and the CFO responded that the Engineers are concentrating on bond projects right now. The CE made a related comment but it was inaudible.

There was discussion regarding FEMA funds and the possibility of using those funds to repair the water tanks because some are so rusty; the CE mentioned that FEMA funds are restricted.

The CFO mentioned that in the 16 months since its release, 42% of the bond funds have already been spent and 74% are encumbered.

- Accounts Receivable & Action Plans to Decrease Major Outstandings

The CFO said receivables have grown in every category since February 07 and said that this matter will be an issue at the exit conference; active customers greater than 120 days past due has increased in February vs. Sept. 06 from 1300 to 1500; he reported that vendors are getting paid at the same pace as previous year.

There was more discussion regarding the 120 days past due for active customers; the CFO mentioned that prior to the CCU, there were about 6600 customers that were past due more than 120 days. They have managed to bring this down to 1500.

2. Legal Issues Pending or Looming

The Staff Attorney prepared a report to the Commission re financial related legal issues (copy in Master File). His report noted pending or threatened litigation of a material nature against GWA for amounts in excess o \$25k.

There was discussion on whether or not the Commission would like to waive the confidentiality of these issues. He did say that for the most part there isn't any case that stands out that really leads management to big trouble with possible exception of the Gil Baza case. It was discussed that this case in particular may hold harmful at least (1) member of the Commission.

After some discussion it was decided not to waive the confidentiality of this matter. The CCU decided to keep and review the list provided and bring any questions back to the table for discussion in Executive Session at another time.

B. PERSONNEL / STAFFING

1. Human Resources Report (copy in Master File)

- Manpower Level October 1, '06 vs. March 30,'07 - At the onset of the CCU, GWA had 311 GWA employees. Today there are 246.
- Intra-Company Transfers - (1) employee transferred from Operations to Engineering
- New Hires October 1, 07 to Present - There were (13) new hires since 10/1/07
- Critical Vacancies and Actions Being Taken to Fill Position(s) - The Personnel Services Administrator provided a list of currently filled / unfilled budgeted positions (copy in Master File)

Comm. Palomo is particularly interested to see the staffing pattern for accounting and engineering sections to see if they are adequately staffed. He asked for an updated staffing pattern to see their qualifications / disciplines.

The CE again made comments but was inaudible.

The CFO said (3) accountants were added this year and are still under training he does not see any need for extra staff. It was mentioned that all vacant positions are announced whether or not they are in-house of open announcements.

The AGM for Collection and Distribution made a comment but it was inaudible. The Chairman responded that when the CCU sees that spending in O&M is less than budgeted – this is a good thing; it gives the CCU confidence that the money is being spent wisely and as if more bodies are needed the fact that expenses are less, gives the dollars to pay for them. The headache that is apparent to all tonight is not the spending side, it's the revenue side.

2. Safety Statistics (copy in Master File)

The Compliance / Safety Officer made comments re his report but it was inaudible.

There was discussion regarding bio solids and the CSO mentioned that these are no longer distributed to the farmers; farmers cannot sell the produce grown with bio solids. GWA has 5 days to notify farmers.

Re surface water under the influence – only GWA has taken any action relative to this issue.

Re DOI Training Grant – an RFP is currently being drafted. A training company will be hired to develop and implement the training program which will be paid by the grant. It will probably be 3-4 months before the program begins.

C. OTHER MID-YEAR REPORTS

1. Engineering

The CE gave detailed explanation of the report that he submitted but in many instances the audio quality was very poor which hampered transcription. Every effort was made to document as much as possible in the following paragraphs.

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The CE submitted what he proposed the Engineering department needs relative to staffing critical positions. They include an Asst. chief Engineer, Senior Engineer Supervisor Water Section; Survey Supervisor, Construction Inspectors

There are three (3) major functions provided by the Engineering Division: Management & Planning of CIP Projects, Operational Systems and the Management of Private Developments. He said great strides in all these areas but feels that the area of CIP projects could be better and there are numerous complaints from private developments that feel GWA is dragging their feet. In order for these sections to function better additional staff is needed. Without this, complaints will continue to be behind the ball.

There are some inter-company transfers, a DRC from another GWA section and an engineer from GPA who are both interested in permanent positions with GWA; these are pending for approval of these positions and a salary structure so that the positions could be advertised.

The report also provided the status of several ongoing CIP projects, to include the source of their funds and their respective status to date. They include Baza Gardens, Old Agat Wastewater Collection Lines, Collection Line Upgrades, Groundwater Disinfection Well Vulnerability Protection, Well Electrical Protection, Distribution Line Replacement A-series Well Transmission Lines, Storage Additions, Booster Station Upgrades, Mangilao Tank Repair, Tank Inspection/Repair, Lab Modernizations, and Land Survey.

Comm. Palomo asked the GMCUS to provide the details of what is covered by Distribution Line Replacement in terms of length in miles and others; he asked for this to be provided at another time in the near future.

The CE also provided an organizational chart which highlighted the critical positions that were discussed earlier together with a document entitled Essential Job Functions and Minimum Requirement for Engineering Positions.

IX. ANNOUNCEMENTS

A. Future Meeting

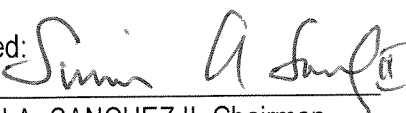
The Chairman announced that the next meeting of the Commission is scheduled for April 24th for GPA and May 8th for GWA.

X. EXECUTIVE SESSION - NONE

XI. ADJOURNMENT

With no other business to bring before the Commission, Comm. Nelson moved to adjourn. There was no objection and the meeting adjourned at 9:00 p.m.

Attested:


SIMON A. SANCHEZ II, Chairman


GLORIA B. NELSON, Secretary

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**CONSOLIDATED COMMISSION ON UTILITIES
REGULAR MEETING OF
Guam Waterworks Authority
Tuesday, 4/17/07, 5:00 p.m.**

SUMMARY OF MOTIONS, RESOLUTIONS & PENDING ACTIONS

I. MOTIONS & RESOLUTIONS

ITEM #	AGENDA ITEM	MOTION OR RESOLUTION	VOTES
1	APPROVAL OF MINUTES <u>February 13, 2007</u>	The Minutes of February 13 th was presented for approval. Comm. Palomo motioned to approve the Minutes subject to verification and written correction. Comm. Hara seconded. There was no discussion or objection and the motion carried.	Ayes – 4 Nays – 0
2	GPA Resolution 2007-12: Relative to the Mgmt & Operations of GPA's Fuel Farm	Comm. Nelson motioned to approve resolution 2007-12 for discussion; Comm. Hara seconded. In discussion, Comm. Nelson asked GPA's Legal Counsel if the procurement was done in accordance to procurement law. Legal Counsel Taylor confirmed that he has not had a chance to review this procurement and cannot comment. However, Mr. Blaz confirmed that he spoke to Legal Counsel Botha did advise that this procurement was legally transaction and in accordance to procurement rules and regulations. On the motion, there was no further discussion and the motion carried.	Ayes – 4 Nays – 0

II. PENDING ACTION

ITEM#	AGENDA ITEM	PENDING ACTION	RESPONSIBLE PARTY
1	GMCUS	Comm. Nelson talked about the major leak which was recently repaired after (8) years and millions of gallons later. She said that some sort of meritorious recognition should be in place to recognize employees who discover these types of incidences. <u>The GMCUS said he would look into it and develop some kind of award/recognition program.</u> T	GMCUS
2	Public Comments: Mr. Jose Cepeda	<u>At the end of the discussion the Chairman asked the AGMCA to take the lead and work with the Staff Attorney and the GMCUS to resolve Mr. Cepeda's issue. The Chairman said to try to debit the \$5k from Mr. Cepeda's bill</u>	AGMCA

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	Mr. Juan Pocaigue	<p><u>and credit it to DPW using the letter as reference.</u></p> <p>Mr. Pocaigue said he has a meeting with the GMCUS tomorrow afternoon to discuss his issues and this is a good start. The Chairman said that Mr. Pocaigue is caught in the same web as other residents in neighboring Gil Baza where the developer of the land is currently facing litigation. <u>The GMCUS told Mr. Pocaigue that he will meet with him tomorrow; he will look into the matter and will look at alternatives to get him water.</u> Mr. Pocaigue also asked management to please cap off the hydrant.</p>	GMCUS
3	MID-YEAR REVIEW: FINANCE	<p><u>The Chairman questioned the CFO on the large disparity in revenue between December 06 and January 07, a \$600k disparity in revenue. The CFO said he did not have an answer. It was apparent that February's revenues caught up with January's under billings and the Chairman asked if this was the answer / reason. Comm. Nelson said who would have the answer and the CFO said he would have to study this phenomena a little bit more before making a response. He said he would get back to the Commission.</u></p> <p><u>Comm. Palomo said it is obvious that the FY07 revenue forecast was inflated and asked for a work session to look at the detail of this issue to see if there is a way that we can find a way to break even. The Chairman it is important to determine the revenue projections especially since the former GM, David Craddick is still here.</u></p> <p><u>The Chairman said in December 06 the numbers showed that we were plus \$1million and in February 07 we are down \$2.3 Million, a \$3 Million swing in 2 months; he said this does not make sense and in the review of the numbers management must take a look at what happened between 12/31/06 and 2/28/07. If after the review these numbers hold then management needs to tell the CCU their strategy in order to turn this around.</u></p> <p><u>There was discussion regarding waste water revenues. Comm. Palomo has had many complaints from consumers that they are over paying for sewer. The Commissioner would like to know whether charges for waste water meet expenditures for waste water. The Chairman mentioned that there were some cost of service studies in the past</u></p>	<p>CFO</p> <p>GMCUS CFO</p> <p>GMCUS CFO</p> <p>CFO</p>

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	<p>PERSONNEL / STAFFING Human Resources Report (copy in Master File)</p>	<p><u>that have revealed that private sector commercial accounts were paying a disproportionate share of the waste water revenue more than it cost to serve them. Part of the court order is for management to revisit this cost of service. Management was supposed to hire a consultant but this piece of the puzzle was never finished</u></p> <p><u>Comm. Palomo is particularly interested to see the staffing pattern for accounting and engineering sections to see if they are adequately staffed. He asked for an updated staffing pattern to see their qualifications / disciplines.</u></p>	<p>E. Cruz</p>