



CONSOLIDATED COMMISSION ON UTILITIES

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

GUAM POWER & WATERWORKS AUTHORITY

Regular Board Meeting
GPA Board Conference Room
5:30 p.m., June 8, 2010

MINUTES

I. CALL TO ORDER

Chairman Simon Sanchez called the regular meeting of the Guam Power And Guam Waterworks Authority to order at 5:50 p.m. He announced that all five (5) Commissioners were present. Those in attendance include:

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
Randy Wiegand	GPA - CFO
Greg Cruz	GWA-CFO
Graham Botha	Staff Atty., GPA
Sam Taylor	Staff Atty., GWA

Management & Staff:

Joe Calvo	Computer Services / GPA
Julie Quinata	Personnel Administrator / HR, GPA
Ben Mesa	PSCC Manager/ GPA
Simon Camacho	T&D Asst. Mgr. / GPA
Sandra Perez	Human Resources / GPA
Bart Perez	Engineering / GPA
Melinda Camacho	Engineering Mgr. / GPA
Lenora Sanz	Controller / GPA
John J. Cruz	SPORD Mgr. / GPA
Marjorie Ontana	GWA
Yuka Hechanova	Internal Audit
Paul Lujan	Equipt. Supt., GWA
Mark Miller	Asst. GM, Production & Treatment / GWA
Paul Kemp	Asst. GM, Compliance & Safety / GWA
Geigy Salayon	Customer Services Supervisor / GWA
Liz	Secretary / GWA
Chilang Unpingco	Administrative Asst. / GPA

GUEST

Cyrus Luhr	Office of Sen. Tom Ada
Joe Pangelinan	RIM Architects
Tim Armour	RIM Architects

II. APPROVAL OF MINUTES - None

III. GM (CUS) REPORT

1. Meter Issue Update

The GMCUS gave a brief on the Meter Back Billing issue. He said that before the Task Force (TF) was created in April there were about 3,500 zero read meters. By September this number was reduced by about 50% of 1,600 meters. He said that typically there are about 1,000 new zero read meters identified each month. If you quantify this for the period March – September, it translates to 6,000 zero read units.

Relative to back billing history, the GMCUS said that they have back billed 811 customers totaling about \$1.25M between April 2009 and April 2010. In May 1,089 customers were back billed totaling \$294K. Also in May, the accounting and customer service sections teamed up and began the massive back billing efforts in an attempt to catch up with the back log.

Relative to current status, the total estimated revenue from back billing is estimated at \$3.2M from about 6,275 customers. The back billings accomplished to date is \$1.5M from approx. 4,375 customers. The majority of customers yet to be billed are residential $\frac{3}{4}$ " meters which total approx. 3,919 customers and estimated revenue of \$980K.

The GMCUS showed the Commissioners a sample of the letter being sent to all customers being back billed. It offers GWA's apology and offers a payment plan to help reduce the hardship caused by the back billing.

The GMCUS ended his brief saying that the back billing situation is not the normal course of business; customers were being billed using actual (2) month consumption average to arrive at the monthly amount used to back bill up to 4 months; management believes that they are complying with the law & that the law is silent as to the length of time it takes to back bill a customer; the TF made its best efforts to back bill as soon as possible; back billing is an extensive process and much care is needed to insure accurate billing

He added that Sen. Ada has asked GWA to provide a briefing on back billing this Thursday, June 10th at the Public Hearing Room. He said that management is preparing for this presentation and will be ready to explain and defend its actions relative to this matter.

There was lengthy discussion / Q&A relative to this issue, GWA's processes and whether GWA is within the law. It was confirmed that GWA is required by law to back bill customers. Relative to appeal, it was mentioned that GWA has an appeal mechanism and if not satisfied, customers can further appeal their billing to the PUC if they believe they have not been billed properly. It was noted by the Staff Attorney that the law does not stipulate that GWA must give customers notice in writing before back billing but GWA notifies its customers out of courtesy.

IV. GM REPORT / UPDATE

1. GPA

a. GPA Bond Ratings / Financing Update

The GPAGM referred the Commissioner to a letter in the packet related to the Utilization of Build America Bonds (BABs). The GPAGM participated in a conference call with GPA's financial advisor and Orrick Herrington & Sutcliffe, GPA's bond counsel for the purpose of discussing some of the compliance issues related to BABs. Some issues were raised that require deliberation on the part of the CCU. The BAB program was created by the American Recovery and Re-Investment Act of 2009 (ARRA). In an effort to expand the market for municipal bonds, ARRA created the program to allow municipalities to issue taxable bonds while maintaining the ability to achieve low interest costs through the use of a federal interest subsidy. The GPAGM wanted to bring this matter to the Commission to make them aware that ARRA funding comes with risks and that CCU and management must be cautious when dealing with these types of funds. A copy of the letter denoting the risks in detail is available in Master File.

It was mentioned that the (3) credit rating agencies have determined GPA's Credit Rating:

1. Standard & Poors: BBB minus stable outlook upgraded GPA to BBB even stable outlook
2. Fitch: BB+ positive outlook upgraded GPA to BBB minus stable outlook
3. Moody's: BB+ positive outlook and downgraded GPA to BB+ stable outlook meaning that GPA would have to go back to BB+ positive outlook before moving towards investment grade. The rationale for this was poor cash flow and they said it's good that GPA would fill up its working capital fund with the bonds; they want to see if GPA can maintain its cash reserves.

2. GWA

a. Strategic Planning

The GWAGM said their latest strategic planning session was held last Friday – about 17 of the 30 person management team was in attendance. Management Phase II was the focus of the planning session. The GWAGM provided the Commission with a list of the top 15 of 27 initiatives from Phase II that came out of that session. (No copy in Master File). He said he would meet with the GMCUS to discuss the re-alignment of the organization as well as the PMO office. He explained the processes he plans to implement to move the SP forward.

b. USEPA update

The GWAGM said the final review session is next Wed.; a draft recommendation that would be distributed to the CCU for discussion & collectively work on a response. He said management affirmed the basic assumption made by EPA and he believes the document is fair and realistic. The Chairman said he may not want to officially approve the draft but rather have EPA come back with comments. The Chairman asked the Commission to think about this strategy; The draft consent decree is due back to EPA in mid-summer before the next court date. Commissioner suggested a work session in early July.

c. Loan and Bond status

The GWAGM said the Bank of Guam loan documents are ready to sign pending the AG's final approval. The closing could be as early as this week.

The Chairman said that another issue re the inquiry from the Legislature relative to COLA payment to requirements. They asked if GWA would pay for the GWA employee COLA from the loan proceeds. If GWA pays GPA's payable would GPA then pay their COLA payments. PUC does not believe this is not the way to handle COLA payments and they are contemplating creating a surcharge as a mechanism to pay COLA.

V. COMMUNICATIONS

1. Public Comments - None

VI. LEGAL COUNSEL

Legal Counsel Botha recommended (1) item for discussion in Executive Session relative to Management Review. He provided the related written recommendation and affidavit thereof.

VII. NEW BUSINESS

1. GPA Resolution 2010-33: Fuel Budget Amendment No. 1

This matter was tabled.

2. GPA Resolution 2010-34: Authorization to Amend Master Plan

The GPAGM reported that RIM Architects has completed the GPA/GWA space allocation analysis and has determined that the space at Fadian is insufficient to hold all GPA and GWA functions and has recommended that certain facilities not be moved to Fadian – namely GPA Transportation, Warehouse and T&D Buildings, GWA Operations / Maintenance and Warehouse. The study also recommended that the GWA Laboratory and Water Tank location be consolidated with GPA T&D and possibly adapt the site to include GPA/GWA Transportation facility and GPA/GWA Northern Customer Services Satellite Office. The study also recommended that the existing GWA Administration Building be evaluated for use as a GPA/GWA Customer Service Satellite Office. An analysis and assessment of the GPA/GWA areas in Dededo and Upper Tumon are necessary as part of this Master Plan to determine if the existing facilities should be reused or replaced to meet agency requirements. The results of this analysis and the recommendations for development and business case will be presented to the CCU for its review and consideration. Lastly, the CCU previously approved the services of RIM Architects for the Fadian Master Plan development for \$420k but RIM is requesting an additional compensation of \$65.3K for the assessment of the GPA T&D area in Dededo, GWA's Lab in Dededo and the GWA Administration Building, Warehouse and Maintenance facilities in Upper Tumon. The new cost for the Fadian Master Plan and the Re-evaluation of GPA's Comprehensive Long Range Space Requirements is \$485.4k Resolution 2010-34 requests the Commission to approve the additional scope of work and compensation.

Comm. Duenas moved to approve Resolution 2010-34; Comm. Nelson seconded.

Engineering Mgr., Melinda Camacho led the CCU through a presentation explaining the rationale behind RIM's recommendation to move only GPA and GWA's Administration and Dispatch office to the Fadian Administration Building. A copy of the presentation is in Master File.

On the motion, there was no further discussion or objection and the motion passed unanimously.

3. GPA Resolution 2010-35: Adoption of MOU's with DoD re Power

Resolution 2010-35 authorizes the adoption of a Memorandum of Understanding with the U.S. Navy to lay the groundwork for the preparation of the planned Military Buildup. The Navy is the largest customer of the Authority and is served through a Customer Service Agreement. Both GPA and Navy through joint planning and cooperation desire to work together to meet the power requirements expected from the proposed military buildup – to include the projected energy requirement of the planned relocation of Marine's from Okinawa to Guam. The parties have agreed on the objectives for the MOU and subsequent agreements. The proposed solutions include the Combustion Turbines and a plan to upgrade the T&D systems that support DoD requirements; the parties have agreed on steps to facilitate the implementation of and to work collaboratively and cooperatively with each other. The understanding that the MOU does not obligate funds of either party and makes no financial commitments. A copy of the proposed MOU is in Master File.

Comm. Duenas motioned to approve Resolution 2010-35; Comm. Nelson seconded.

In discussion, amendments were made to the resolution, not detailed herein but can be reviewed upon request. The Staff Attorney made note of these changes and was charged with making the necessary changes.

On Resolution 2010-35 as amended, there was no further discussion or objection and the motion passed unanimously.

4. GWA Resolution 20-FY2010: Adoption of MOU's with DoD re Water & Wastewater

Resolution 20-FY2010 relative to approving the terms and memorandum of understanding of the GWA MOU with the Navy. The (4) major objectives is to identify costs related to the buildup and allocate those costs into agreements as appropriate; to cooperate with federal and local agencies to resolve the challenges, including funding, to provide potable water and waste water treatment services for DoD and civilian population growth associated with the build-up; to work and develop and utilize common standards related to security, reliability and inter-operability, construction and performance and to utilize available low or no cost financing from the Government of Japan (GOJ) to the extent possible.

Comm. Duenas moved to adopt Resolution 20-FY2010; Comm. Nelson seconded

Some amendments were made to the resolution by the Chairman. The details are not detailed here but are recorded for review upon request. The Staff Attorney was tasked to make the necessary changes to the resolution as discussed.

. There was no further discussion or objection and the motion passed.

5. Classification of Positions

The GMCUS provided the Commission with a list of unclassified GPA employees for their review relative to a proposed change in classification from unclassified to classified (No copy in Master File). He thanked GPA HR for their assistance in putting the list together. He said he provides this information for their information and further discussion at a future meeting.

6. GPA Resolution 2010-36: LEAC

Before discussing the Resolution 2010-36, the CFO advised the Commission that the Navy has determined that the method that GPA uses passing on distribution losses to them theoretically should not be passed on because they were transmission level customers. GPA said this has always been the way this has been done for the past 20 years. This matter has to go before the PUC for resolution. If the PUC favors GPA then there is a \$4M less cost in the LEAC and if it is in favor of the Navy it is what it is today. Comm. Duenas said this error was a mutual mistake and GPA should correct its processes from the date of discovery forward.

Resolution 2010-36 proposes a reduction of the LEAC for the period August 2010– February 2011. The CFO said the cost of fuel has moved downward; based on the usual mechanistic approach determining LEAC factor, the current calculation shows a 2-cent decrease that translates to a 9% reduction on the total bill for the next 6 months. Management is asking the Commission to approve this LEAC decrease before petitioning the PUC.

Comm. Nelson motioned to approve Resolution 2010-36; Comm. Duenas seconded. There was no further discussion or objection and the motion passed.

7. GPA April 2010 Financials

The CFO said that as expected the March showed a decline in sales; April showed substantial growth; net income was \$55k compared to the anticipated net income of \$2M at the beginning of the year. The CFO also reported that at the last LEAC filing there was significant under-recovery; currently LEAC is over-recovered which allows for the current reduction in LEAC.

VIII. OLD BUSINESS

1. GWA Backbilling

This matter was discussed in the GMCUS Report, Section III above.

IX. ANNOUNCEMENTS

1. Next CCU Meeting

The Chairman announced that the next CCU meeting would be for GPA on July 13th and GWA on 7/27th.

The Chairman called for Executive Session at 7:55 p.m.

X. EXECUTIVE SESSION

1. Mgmt. Review

Executive Session ended at 9:30 p.m. and regular session started immediately.

The Chairman said a motion would be in order to allow changes to the salaries of some employees as discussed in Executive Session. They are as follows:

1. John Benavente - \$160k
2. Kin Flores - \$153K
3. Greg Cruz - \$112K
4. Randy Wiegand – 6% increase to current pay - \$119k
5. Graham Botha - \$98K
6. Sam Taylor – already adjusted to \$104k
7. Lou Sablan – to be awarded a Superior Performance Award equal to 6% of pay, a 1x payment adjustment with no change in base pay

Comm. Duenas moved to may pay adjustment as remunerated by Chair; Comm. Palomo seconded.

In discussion it was mentioned that this pay adjustment would be retroactive to January 2010 for all employees.

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

Comm. Duenas motion to ratify the decision made in Executive Session; Comm. Palomo seconded. There was no further discussion or objection and the motion carried.

XI. ADJOURNMENT

There being no further business to bring before the Commission, the meeting adjourned at 9:31 p.m.

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Attested:

SIMON A. SANCHEZ II, Chairman

GLORIA B. NELSON, Secretary