



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., August 18, 2009

MINUTES

I. CALL TO ORDER

The Chairman called the meeting to order at 5:40 p.m. He announced that all 5 Commissioners were present. Others present include:

Commissioners:

Simon Sanchez	Chairman
Benigno Palomo	Vice Chair, GPA
Eloy P. Hara	Vice Chair, GWA
Gloria B. 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:

Melinda Camacho	Engineering Mgr / Engineering
Ron Okada	T&D Mgr / Transmission & Distribution
Art Perez	Communications Mgr. / PIO, GPA
Lenora Sanz	Comptroller / Finance
Sandra Perez	Human Resources
Mercy Castro	Utility Svcs. Mgr. / Customer Service
Cora Montellano	Asst. Chief Financial Officer / GPA
Ruben Ulloa	GPA
Zita San Agustin	Budget Office
John Crisostomo	Safety Administrator / GPA
Joseph Manibusan	Generation
Simon Camacho	Asst. Manager / T&D
Sue Carbullido	Budget Office / GPA
Cecilia Fejeran	Admin. Assistant
Selma Blas	Admin. Assistant

Guests:

Vince Leon Guerrero	AAC
Jesse Toves	AAC
Cyrus Luhr	Sen. Tom Ada's Office

II. APPROVAL OF MINUTES - None

III. GM (CUS) REPORT - None

IV. **GM REPORT / UPDATE**

1. **System Update**

The total IWPS availability totaled 504 MW; reserve capacity was 254 MW and peak demand registered at 250 MW. Some highlights the GM reported included that MEC #8 & #9 scheduled a 3 hour shutdown yesterday to perform a DCS upgrade, install new network stations hardware and replace back up batteries. Dededo CT #2 was secured and tagged out due to a defective generator; Macheche CT is undergoing air emission testing

2. **Government Receivables**

Management reported the good news that all streetlight arrearages were paid in full as well as respective current balances. All government agencies are current.

3. **Administration Dept. Reports**

Reports from Customer Service, Human Resources and Procurement were received but not discussed.

4. **System Losses**

Report submitted but not discussed.

5. **Fuel Inventory Update**

Report submitted but not discussed.

V. **COMMUNICATIONS**

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

VI. **LEGAL COUNSEL**

VII. **NEW BUSINESS**

1. **Resolution 21-FY2009 VEOLIA PMC Contract Extension**

The GWA Staff Attorney presented Resolution 21-FY2009 for approval. It requested the CCU to approve a 3-year contract extension for the Waste Water PMC with Veolia Water. The SA highlighted benefits that the PMC with Veolia brought to GWA – the purchase of 2 brand new pumper trucks, the implementation of the CMMS system, apprentice program, technical assistance for the moratorium project reduction of overtime and operating expenses and others. The GM recommended approval of the extension of the PMC; the resolution provided for the same terms and conditions as the old contract.

Comm. Nelson motioned to approve the Resolution; Comm. Duenas seconded. Comm. Nelson said the Commission has gone through the contract in detail and she is satisfied.

In discussion Comm. Palomo mentioned that when the CCU was first thinking of moving into a PMC with Veolia, many GWA employees offered testimony against it. He asked if there were any GWA employees present who would like to make a comment either for or against the renewal of the PMC contract. The GWA GM confirmed that this matter was brought up at the GWA management meeting and all employees were made aware of the upcoming contract extension. It was mentioned that the fact that no GWA employees are present is indicative that they are in support of the Veolia PMC contract.

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

2. **Resolution 2009-35: FY2010 Budget**

The GPAGM presented Resolution 2009-37 for approval. He mentioned that he thoroughly reviewed the total budget for FY2010 based on a revenue forecast of \$386,072,000. He carefully scrutinized each line item of the O&M budget as well as the CIP's and made substantial and significant reductions to the budget request as a whole. In addition, the CCU has held a working session and each budget item was reviewed and discussed with the GM and management team. GPA determined in 2007 that it had a funding shortfall of #26.9M and petitioned the PUC for a rate increase in that amount broken into 2 phases. GPA received \$16.3M during the Phase I rate process and PUC ordered that the Phase II rate relieve will not be provided until GPA completes a management & organizational assessment. He said the delay in the Phase II rate relief has contributed to a backlog of some critical projects and GPA's ability to fund such projects is compounded by the decrease in sales that GPA is currently experiencing. As a result, the GM is recommending that in addition to petitioning for the Phase II portion of the ongoing rate case, that a loan is the best solution to fund the critical projects. Management believes that the period of negative sales growth of approximately 1% - about 3% under the 2009 revenue forecast represents a shortfall of approximately \$5M.

For discussion purposed Comm. Nelson moved to approve Resolution 2009-35; Comm. Duenas seconded.

After lengthy discussion and amendments the FY2010 Budget stands as follows: Fuel Cost - \$236,274,000; Total O&M Expenses - \$77,686,000; IPP Costs - \$42,742,000; Revenue funded CIP's \$19,890,000. Further, the GM is authorized to operate within the total amount of this budget approval and to transfer funds between major and minor categories. Major categories are labor, non-labor, and CIP's; minor categories for labor include regular pay, overtime, premium pay & benefits. Minor categories for non-labor projects

include contracts, operating supplies, office supplies, insurance, business units, FERC accounts. Minor categories for CIP's are FERC accounts. The GM's contractual obligating authority remains at \$25k. The GM is authorized to petition the PUC for the Phase II rate increase that was initially petitioned in Oct. 2007 in the annual amount of \$10.6M or approximately 2.8% of the bill. Lastly the GM is authorized to petition the PUC for a loan not to exceed \$15M for the purpose of providing bridge financing while GPA is completing backlogged projects. The GPAGM is further authorized to request from GEDA their assistance to initiate an RFP for this loan.

On the motion, there was no further discussion or objection; the resolution passed as amended.

3. Resolution 2009-36: Enterprise Performance Management

The CCU directed GPA to take steps to change the corporate culture of the utility and to adopt performance based management initiatives in conjunction with the movement to market based compensation system. During the performance of the management and organizational assessment audit, Baker Tilly, GPA's management consultants recommended that GPA adopt something like the Enterprise Performance Management methodology. GPA's management believe that an initiative should be undertaken to effect change at the Authority by adopting a management methodology to incorporate performance driven pay practices and accountability. The GPAGM recommended approval.

Comm. Duenas moved to approve Resolution 2009-36; Comm. Nelson seconded. In discussion Comm. Duenas mentioned that he would like GWA to adopt the same methodology and to get back to the CCU with a related resolution.

4. Resolution 2009-37: Creation of Director of Public Affairs Position

Resolution 2009-37 was presented for approval but after some discussion Comm. Palomo moved to table it until the next meeting; Comm. Duenas seconded. The Commission will review with GWA management. There was no objection and the resolution was tabled.

5. Resolution 2009-38: Funding to Implement Smart Grid Technology

The GPAGM said that a couple of meetings ago, the CCU approved a resolution to amend the Virchow Krause contract to include the grant application services for Smart Grid technologies. The grant has some limitations if awarded or approved and contained a 3-year window for implementation. There was about \$200Million available and GPA is still awaiting word if the grant was approved. This presentation shows the CCU what was done in the application and is a 50-50 cost share. The GM made it clear that there is outlay cost involved should the grant be awarded to GPA. He highlighted benefits of Smart Grid - it is especially critical when renewable energy comes into play, operating resiliency, accurate and timely metering, remote meter reading, sub-station automation, it improves customer relations, better service and efficiency and others.

Comm. Duenas moved to approve Resolution 2009-38; Comm. Nelson seconded. There was no further discussion or objection and the motion carried.

6. Streetlight Payments

Management reported that the long standing village street lights arrearage and current bills for all street light categories were paid in full.

7. June 2009 Financials

The CFO reported on the June 2009 Financials. The net loss for the month ended was \$0.1Million as compared to the anticipated \$0.01Million at the beginning of the year. The total kWh sales for the month were 5.15% less than projected and non-fuel revenues were \$0.6Million less than the estimated amounts. O&M expenses were \$4.9Million which was less than projections for the month. The debt service coverage stands at 1.20 with target at 1.75. GPA has current obligations of about \$69Million and about \$50Million in cash and current receivables. Included in the \$69Million is the \$18.3Million balance of a term loan for GPA's Taxable Commercial Paper.

VIII. OLD BUSINESS - None

IX. **ANNOUNCEMENTS**

1. **Next CCU Meeting**

The Chairman announced that the next CCU meeting would be for GWA on Sept. 1, 2009 and GPA on Sept. 15, 2009.

X. **EXECUTIVE SESSION - None**


XI. **ADJOURNMENT**

With no further business to bring before the Commission, the meeting adjourned at 8:45 p.m.

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BLS

Attested:


SIMON A. SANCHEZ II, Chairman


For GLORIA B. NELSON, Secretary