



CONSOLIDATED COMMISSION ON UTILITIES

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

GUAM POWER AUTHORITY REGULAR BOARD MEETING & VILLAGE OPEN FORUM *Dededo Senior Citizen's Center* 4:00 p.m., August 26, 2008

MINUTES

I. CALL TO ORDER

Chairman Sanchez called the meeting to order at 4:30 p.m. and announced that all 5 Commissioners were present. Those in attendance include:

Commissioners:

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| Simon Sanchez | Chairman |
| Benigno Palomo | Vice Chair, GPA |
| Eloy Hara | Vice Chair, GWA |
| Gloria Nelson | Secretary |
| J. Margaret Blas | Member |

Executive Mgmt:

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| John Benavente | GMCUS |
| Kin Flores | GPAGM |
| Danny Santos | AGMCA |
| Cora Montellano | GPA CFO (Acting) |
| Graham Botha | Staff Atty., GPA |
| Andy Balajadia | AGMO. GPA |

Management & Staff:

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| Ron Okada | T&D Manager |
| Tom Borja | Facilities Manager |
| Melinda Camacho | Engineering Manager |
| Herb Pinaula | Fleet Services Manager |
| Arlene Sahagon | Internal Auditor |
| Jennifer Sablan | Engineer, SPORD |
| Art Perez | PIO Manager |
| John Crisostomo | Safety Administrator |
| Simon Camacho | Asst.Mgr., T&D |
| Julie Quinata | Personnel Services Administrator |
| Lenora Sanz | Controller, GPA |
| Pam Aguigui | Chief Budget Officer |
| Sue Carbullido | Budget Office |
| Rudy Manibusan | Computer Services Mgr. |
| Ben Mesa | PSCC Manager |
| Richard Bersamin | Customer Services Manager (A) |
| Frank Aquino | GPA |
| Jesse Lujan | GWA |
| Bea Davis | Admin. Asst. / Executive |
| Selma Blas | Admin. Asst. / Executive |

Guests:

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| Bill Martin | PDN |
| John Davis | KUAM |

II. **APPROVAL OF MINUTES**

The Minutes of May 6, 2008 was presented for approval.

Comm. Nelson moved to approve the Minutes subject to verification and written correction; Comm. Margaret Blas seconded. The motion passed without further discussion or objection.

III. **GM (CUS) REPORT**

IV. **GM (GPA) REPORT**

The GM updated the Commission on the Management Audit. He reported the management has made its selection for the most qualified bidder. Cost proposals have been received this week and related clarifications have been solicited but very soon management will bring the matter to the Commission for their approval. He said management will settle the negotiations first. He said that he has asked that the scope of work would include both GPA and GWA and areas where possible consolidation can be implemented.

1. **System Update - Not discussed**
2. **FEMA Update – Not discussed**
3. **Government Receivables – Not discussed**
4. **Administration Dept. Reports – Not discussed**
5. **System Losses – Not discussed**
6. **Fuel Inventory Update - Not discussed**

V. **COMMUNICATIONS**

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

2. **Correspondences re Fuel Surcharge Adjustment**

The Chairman advised that he has asked management to prepare a presentation that explains the mechanics of LEAC in response to Senator Ishizaki and Respicio's letters. He said that in the LEAC, GPA is advancing money on behalf of the ratepayers to fuel companies to pay for fuel – currently that number is \$18million that it has advanced to try to help ratepayers. The PUC reviews these numbers and they are independent of GPA; they have consultants that they hire to make sure that GPA is doing its due diligence on behalf of the ratepayers. He added that GPA also has independent consultants like Morgan Stanley who make fuel projections for GPA. Comm. Palomo commented that it is unfair for Senators to criticize GPA's employees who are doing an excellent job maintaining the base loads and as a result have improved efficiency.

VI. **LEGAL COUNSEL**

VII. **NEW BUSINESS**

1. **Resolution 2008-19: Authorizing Purchase of Concrete Power Poles**

In Resolution 2008-19, management requested the Commission approval to obligate \$277k for the purchase of concrete poles. The GM said that GPA's inventory of 35' and 45' concrete poles was below the reorder stock level of 4 months and added that the lead time for new poles to arrive is about 4-6 months. He said that adequate public announcements preceded the release of the bid. The evaluation committee completed the evaluation and determined that Benson Guam Enterprises was the sole and lowest responsive bidder for both classes of poles and recommended award to Benson Guam in the amount of \$277k. The value is beyond the GM's procurement authority and he brought the matter before the Commission for approval. He said the poles are being sourced from Korea because the local manufacturer is no longer making poles on Guam. The bid will specify the requirement that 1-2 GPA representatives will visit the factory in Korea to perform random testing on the poles making sure that it meets GPA's specification.

Comm. Hara motioned to approve Resolution 2008-19; Comm. Nelson seconded.

In discussion it was mentioned that the quantity of poles is 50 each per class and a description of each class was clarified.

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

2 **June 2008 Financials**

Cora Montellano, acting CFO reported that in June GPA gained \$400k for the month and YTD is 101k above forecast. YTD sales are 1% higher than prior year. The YTD LEAC over recovery is \$3 million and is \$6.2 million less than the projected over recover for the month. This is due to the increased fuel costs. The Debt service coverage is still at 1.55. The good news is that June over recovered however it is anticipated that GPA will under

recover in July and August. The month of September may be better if fuel prices fall. There is still \$18 million under recovery YTD.

There was discussion on the carrying cost related to fuel inventory – GPA must have 2 months of fuel in reserve at all times and the related carrying costs has to be recovered in addition to the actual cost of fuel. GPA pays \$28 million for each fuel purchase.

The Chairman mentioned that 2 senators have written to the Commission regarding the LEAC and why the costs have not gone down despite fuel prices going down. He said that management needs to explain how LEAC works so that they and the public understand the mechanics behind LEAC. He said during rising prices, the LEAC delays any increases to the ratepayers. He said it's unfortunate that Senator Ishizaki's letter implicates that the CCU is purposely trying to manipulate the matter to hurt the ratepayer and it is inaccurate and unfair criticism that shows his ignorance. The Chairman said that he has asked management to prepare a presentation to the Senators and the public.

3. Approval of FY08-09 Budget

The GM said that the heads of all the various departments are present. He impressed upon the Commission that the managers did a tough and diligent job to meet develop the FY09 budget. He said it probably is not desirable in some individuals but he said it is fair – some tough calls had to be made to cut the budget to meet GPA's mission. He commended the finance group who helped prepare the forecast – most especially the Budget Department. He said Pam Aguigui and Sue Carbullido worked many and long hours to get the figures together and commended them specifically for a job well done.

Cora Montellano gave PP presentation / highlights for the FY09 budget revenues, expenses (encountered difficulty with audio so transcription is limited – no copy of Budget presentation was given Master File). Some highlights include \$317Million for fuel; O&M 19Million; IPP \$42Million; CIP cap of \$2.5; Debt Service (bond) 27.4 million; Debt Service (TCP) \$8.6Million; Working Capital Fund \$11.4 million; Bond Reserve \$34Million.

The GM said he had to cut CIP's; the employment is still 592 budgeted and 528 FTE. There was discussion regarding labor – the budgeting of 592 positions. Historically GPA has only had around 528 filled positions. The Chairman recommended that GPA only budget for the filled positions – 528. The Chairman mentioned to be tighter on payroll to reflect GPA's historical practice and use the savings to give more to CIP's or to the working capital to minimize LEAC. The Commission asked management to shrink payroll to something that is more realistic and budget the savings into CIP or working capital to lower LEAC. In doing so, the Commission authorized the GM to move funds from O&M to Labor and vice versa, as needed.

It was decided that the fuel portion of the budget is approved. The Non-Fuel portion will be reduced by \$2.5 Million, subject to management's discretion, and convert the \$2.5 million savings to working capital for the reduction of LEAC by 1%. Rather than move funds at will, it was noted that the GM would approach the Commission if needed to request the reallocation of funds. The Staff Attorney was asked to revise the resolution accordingly.

Comm. Nelson motioned to approve the FY09 budget as amended; Comm. Blas seconded. On the motion there was no further discussion or objection and the motion carried.

VIII. OLD BUSINESS - None

IX. ANNOUNCEMENTS

1. **Next CCU Meeting: GWA: 9/9/08 at Sinajana; GPA: 9/23/08 at Inarajan**

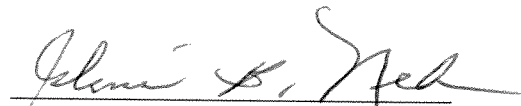
X. ADJOURNMENT

With no further business to bring before the Commission, the meeting adjourned. It was 6:28 p.m.

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Attested:


SIMON A. SANCHEZ II, Chairman


GLORIA B. NELSON, Secretary