



Consolidated Commission on Utilities

Report Card Narrative On **Guam Power Authority**

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Measurable Results: A Progress Report from the Consolidated Commission on Utilities on the Guam Power Authority

Over the past 24 months, the elected members of the Consolidated Commission on Utilities (CCU) has sought to improve electrical services, increase reliability and reduce expenditures to the ratepayers of the Guam Power Authority and the Guam WaterWorks Authority. This report is a narrative of this effort for the Guam Power Authority:

First, the Consolidated Commission on Utilities is an elected five-member commission that meets on a regular basis to approve contracts, establish strategies, formulate policy and review management performance for the Guam Power Authority. Each member is elected to four-year terms and is responsible for the governance of Guam Power Authority and Guam Waterworks Authority with powers delegated to each agency's General Manager.

At its inception, the CCU members included Simon A. Sanchez, II as overall Chairman; Frank Shimizu as GPA Vice Chairman; Benigno Palomo as GWA Vice Chairman; Vince Camacho as Treasurer and Dr. Judy Guthertz as CCU Member and Public Information Officer. Dr. Guthertz had since resigned as a member in her bid for a seat within the 28th Guam Legislature. During November 2004 elections, Mr. Shimizu and Mr. Camacho did not seek reelection to the CCU; hence, Tom Ada and Gloria Nelson succeeded in their bids for a seat on the Commission and will be sworn in as members in January of 2005.

“EYE OPENING”

In early January of 2003, the challenges facing newly elected Commission members were daunting as GPA literally faced bankruptcy and receivership from bond companies:

1. GPA was in the midst of Super Typhoon Pongsona recovery operations; at this time, GPA had only restored less than 30 percent of the Island Wide Power System since recovery operation began in December 9th of 2002;
2. Cabras I & II were operating at limited capacity for months; an explosion in early February 2002 damaged Cabras No. III & IV – both units were down for nearly two years thereby forcing GPA to utilize fast track units to meet daily power demands. The unavailability of baseload generation cost ratepayers approximately \$40,000 in fuel costs every day for nearly 24 months;
3. GovGuam receivables soared to nearly \$54 million dollars over a two year period from 2000; collections from residential and commercial accounts also lagged toward the 120 day period amounting to millions in receivables;
4. Prior GPA management had not recovered fuel costs through Levelized Energy Adjustment Clause (LEAC) adjustments. LEAC adjustments allow for the utility to recovery fuel costs through fixed rates every six months with approval from the Public Utilities Commission. In early 2003, the under-recovery of LEAC funds amounted to \$13 million dollars;
5. Federal Emergency Management Agency (FEMA) reimbursements climbed to approximately \$35 million dollars with outstanding claims pending from SuperTyphoon Paka, Chata'an and Pongsona;

6. GPA payables to vendors swelled to approximately \$13 million dollars with many accounts not paid for nearly 120 days;
7. GPA "Working Capital Fund," which is utilized to sustain utility operations for 30 days in the event of disaster recovery operations, was exhausted to cover Pongsona costs – the Working Capital Fund was previously maintained at \$14 million dollars;
8. GPA's bond rating downgraded to "Junk Bond" or non-investment grade by Fitch Ratings Co., Moody's Rating Co. and Standard and Poors Rating Company.

The effect of GPA's dire finances and operations prior to January 2003 impacted daily life for Guam residents through increases in cost of living, unreliable electrical services and economic uncertainty – however, GPA's condition eventually resonated beyond our shores through the downgrading of GPA's bond/investment status. At this point, GPA's standing within the bond market community was equivalent to junk bond grade. Such a rating would have costly implications to ratepayers should GPA seek financing on the bond market. Although the impact of the downgrade did not have immediate repercussions, the long term effects were visible with higher finance and fee costs for potential future bond sales, the current Energy Conversion Agreements (ECA) with our independent power producers (IPPs) as well premiums for bond insurance.

In the face of these impending issues, immediate action was needed by the CCU to lay a foundation for establishing strong leadership direction for GPA, applying a nondiscriminatory disconnect policy and concentrating on rebuilding regulatory relationships.

"99.9 PERCENT BY FEBRUARY"

Through consensus, CCU members needed a leader with actual electric utility experience to manage a recovery not just from typhoons, but also from fiscal mismanagement and operational neglect. The CCU unanimously chose John Benavente, P.E., to be Interim General Manager and Joaquin Flores, P.E., to be Assistant General Manager of Operations. Both exhibited extensive utility management experience – experience that would be immediately tested.

In the midst of Super Typhoon Pongsona recovery efforts, the new – yet experienced management repositioned itself to complete the job of restoration from the impact of a super typhoon. Up until this time, GPA was only able to complete less than 30 percent of restoration goals from December 8th, 2003 – shortages with equipment, manpower and materials presented challenges to hasten recovery efforts affecting homes, businesses and government services. After two weeks as the new interim GPA General Manager, John M. Benavente set an aggressive timetable with a bold announcement that was to have a resounding impact on restoration efforts - 99 percent completion of the Island Wide Power System by February 8th, 2003.

From every level within GPA, the momentum to meet the General Manager's challenge kicked off a chain reaction to support operations. Communications with neighboring utilities for support was well received and answered – manpower, equipment and materials; Procurement of additional bucket trucks hailed the arrival of the largest transport aircraft in

the world to our island; frequent public communications kept an anxious community informed on restoration activities on a daily basis. As GPA progressed towards the February 8th deadline, a stronger sense of recovery was evident as more homes and businesses received power – often times the most visible symbol of recovery was a GPA bucket truck in your village working on power lines.

In many ways, the recovery efforts during Super Typhoon Pongsona set in motion GPA's operational objectives for the next 24 four months. Several administrative and operational goals ran parallel throughout much of 2003 and 2004 once substantial completion was reached by early February – the most crucial of which was the implementation of performance standards; it was through the implementation of performance standards that GPA was successful in 2003 to close out the work of recovery and proceed with the management of the utility.

“GET THOSE UNITS ONLINE”

Another significant challenge early in 2003 was the limited availability of GPA baseload units Cabras I, & II and the unavailability of baseload units Cabras III and IV. Cabras I & II had undergone an extended period of no maintenance exposing both units to frequent outages and repairs and repairs to Cabras No. III & IV were in limbo due to litigation disputes with the manufacturer of the diesels baseload units. Other maintenance issues with the fast track (Combustion and Diesel) units were beginning to become evident as their running hours were extended to support extended periods of generation support.

Management decisions were prioritized on baseload repairs to increase their efficiency and lower operation costs. Major repairs were completed with both Cabras Units I & II under an intermediate management contract (IMC) with Edison O&M Services to the turbine control systems, condenser and economizer tube replacement and other auxiliary peripheral equipment. Cabras III & IV were both off-line for nearly two years due to an explosion and delays in repairs; however, a settlement with the HSD Engine Co. Ltd. for an ongoing litigation suit, allowed GPA to begin repairs in 2003 to bring both units back online saving ratepayers millions of dollars in fuel and fuel related costs; hence, for the first time in two years, GPA was able to bring all four baseload units – Cabras I, II, III and IV online in December of 2003.

With all baseload units online, GPA reshifted focus towards fast track generation units. Within the last 22 months, GPA engaged in an aggressive maintenance effort to bring these units to operational efficiency: Macheche power plant – off line for over two years . . . back in service; Dededo CT No. 1 – back online after turbine work; Talofof Diesel – exhaust stack work and other maintenance to be completed by early 2005; Yigo CT – being scheduled for maintenance and repairs in 2005; Manenggon Diesels – major overhaul had been completed and preventive maintenance is ongoing. Fast track generating units continue to play an integral part of GPA repertoire of assets to support a growing power system and contain any emergency requirements.

The CCU and GPA Executive management also engaged a “hybrid” to privatization through Performance Management Contracts (PMC) as a means to privatize operations management

of baseload units while retaining asset and personnel control. Contractual obligations are measured through performance standards with incentives for exceeding standards and penalties for below standard performance. In 2003, the CCU and GPA entered into PMC agreements for Cabras I & II with Taiwan Electrical & Mechanical Engineering Services (TEMES) and with HSD Engine Co. Ltd. for Cabras III & IV.

“FINANCIAL RECOVERY”

“Collections”

GPA's financial recovery involved several initiatives that ran simultaneously from collections to FEMA reimbursements; the efforts to resolve these issues would have a significant influence on GPA's long-range plans. At the core of these efforts was the selection of a Chief Financial Officer (CFO) that would fiscally navigate GPA through a tumultuous financial environment. After a lengthy selection process, the CCU announced the appointment of Randal Weigand, CPA, as GPA's Chief Financial Officer

Early in 2003, GPA's receivables soared to nearly \$54 million dollars. The CCU immediately directed aggressive collection efforts across all rate classes – collect on **all** delinquent accounts. Coordinated efforts with Transmission & Distribution (T&D) along with the Customer Services Division teamed up to concentrate on delinquent accounts exceeding 120 days. External communications efforts concentrated on public announcements, media interviews and correspondences with large commercial and government accounts.

Over the next 22 months, GPA considerably reduced receivables across a range of categories significantly reducing delinquent accounts near the target of 31 + days through a combination of resources from Customer Services and the T&D division. The effort often times netted monthly collections of well over \$20 million dollars.

Simultaneous tasks were also ongoing to address line losses through GPA's Meter Task Force. The task force worked to reduce the amount of unaccountable power system consumption a variety of account investigations involving unlisted consuming meters, non-registering meters, unbilled accounts due to financial software exceptions and a manual review of customer service electricity accounts. The result was \$1.4 million dollar backbilling to these audited accounts for collections.

Along with the ongoing efforts of the Meter Task Force, GPA's customer services division, the Reconnection/Disconnection crews and the Internal Audit section make up the Revenue Protection Sections (RPS) involved with the location and investigation of suspected meter tampering reports to further curb the theft of power services. The coordination between these sections has recently been heightened as GPA embarked on aggressive collection for delinquent accounts in August of 2004. It is important to also note that over 79 Meter Tampering cases have been referred to the Guam Police Department during a period from January 2004 through November 2004 with a total backbilling of \$18, 051.00 to date. Furthermore, the Internal Audit section recently developed Authority standards relative to meter seal management issuance and control, meter tampering/illegal hookup investigation & reporting and meter tampering reconnection process to aid a management tools for RPS

activities. The RPS program will continue to remain vigilant as GPA continues to improve accountability across the Authority.

“Fuel Cost Recovery”

For over two years, prior GPA management did not make timely LEAC Adjustments for cost of fuel recovery. As a result, when the CCU took office in January 2003, an “under recovery” of \$13 million dollars was outstanding. Over the prior two year period, GPA absorbed the \$13 million dollar loss by paying for fuel costs through O&M and CIP budgeted expenditures – hence, budgeted monies were redirected from preventive maintenance programs, equipment upgrades and technical training sessions. The effect was apparent with the number of baseload units off-line, the reliance on fast track generation and higher power bills.

The CCU and Executive Management realized that over \$10 million dollars in fuel left the island each month - monies that never circulated within our local economy. It was apparent to the CCU that GPA must seek ways to keep more of that money on Guam. In conjunction with efforts to revive the maintenance programs for baseload and fast track units, GPA had to approach the Public Utilities Commission (PUC) to adjust the LEAC rate for fuel recovery. However, the CCU realized that a full recovery of the 13 million outstanding would be a significant shock to ratepayers; as such, petitioned the PUC for 12% percent increase. In October of 2003, a LEAC adjustment was made to reflect a modest recovery during which the monies received were reinvested into maintenance activities to get the baseload units back online.

Over the next LEAC filing periods (every six months), GPA managed a slight 2% percent decrease; the reinvested LEAC funds from the prior six months were utilized to bring the baseload units back online; as a result, GPA overall was able to shield ratepayers from frequent fuel oil price spikes by using less expensive fuel through baseload generations and a GPA Fuel Hedging Contract that was in place the resulted in approximately \$18 million dollars in fuel savings. GPA further improved operations throughout GPA to file with the PUC to hold rates and not seek any increases in a Pacific Region fluctuation of fuel oil prices. This year, GPA will renew a “Fuel Hedging Contract” to lock fuel oil prices part of GPA’s fuel risk management initiatives.

Another significant relationship development with the PUC was the approval of the inclusion of cylinder oil costs from Cabras III & IV into LEAC recovery rates. The inclusion of cylinder oil costs into the LEAC allowed GPA to reinvest approximately \$1.2 million dollars per year towards O&M.

“Positive Relationships with FEMA”

GPA relationship with the FEMA began years ago, most prominently in the advent of Super Typhoon Paka restoration activities. Over the next decade with the frequency of typhoons affecting the Island Wide Power System (IWPS) resulted in claims filed with FEMA for disaster related reimbursements; GPA has filed outstanding reimbursement claims for typhoons Paka and Chata’an. By the time the CCU came on board in January of 2003, reimbursement claims for Pongsona were also being filed. FEMA claims at this point

amounted to \$35 million dollars with a majority of the pending claims from Paka, Chata'an and Pongsona.

The CCU and GPA Executive Management negotiated with FEMA to reengage efforts to gather any pending documentation to resolve the claim filings and improve communications with FEMA representatives. Collaboration with the local Disaster Recovery Office (RCO), the Office of Homeland Security/Civil Defense and GPA representatives worked to address FEMA's numerous concerns. The end result was an improved system of accountability and documentation; but more importantly – in June 2004, GPA closed the final claims filed for Super Typhoon Paka for approximately \$9.4 million dollars. Over the course of the remainder of 2004, GPA received more FEMA reimbursement claims as a direct result of improved communications and procedures.

“Improving Our Cash Position”

The net result of all these financial achievements means a stronger electric utility. One significant trait of these achievements is a reflection of GPA's payables to vendors and “Working Capital Fund.”

Prior to January 2003, GPA payables ascended to nearly \$13 million dollars with payments overdue in excess of 120 days. Many vendors refused to entertain GPA request for services; many vendors required that GPA in turn provide lines of credit to guarantee payments for services and parts rendered. Such a predicament further restricted GPA's already plummeting cash position.

Members of the CCU realized GPA's impact within the local economy and with the realization of the \$13 million dollars outstanding to vendors resulting in many payrolls that were not made by the private sector – hence, quality of life within a fragile economy could not be sustained.

Another reflection of GPA's dire cash position was meeting the required balance of the Working Capital Fund (WCF) per the Authority's Bond Covenant. The WCF was originally a financial tool whereby the Authority would reserve funds to operate the Authority for approximately one month in times of disaster recovery operations. During such situations, revenues could not be generated. The WCF was a reserve fund to cover for the procurement of critical services, equipment, parts, materials and labor costs while restoration activities were ongoing. The CCU worked throughout 2003 and 2004 to fully fund this reserve account to ensure the continuity of GPA operations during disaster restoration.

The culmination of combined efforts throughout GPA to improve cash position either through aggressive collections, through LEAC adjustments, through the meter task force and through FEMA reimbursements resulted in GPA reducing payables from an outstanding \$13 million dollars to a net thirty days for vendor invoices and the Working Capital Fund reaching \$17 million in reserve capital for disaster operations. Both feats highlight months of hard work from the policy level of the CCU and hard work of all the divisions in GPA.

“DOING THE JOB –DONE”

Within GPA, core to our mission statement is the support of operations to do the field work, either in the power plant, in the engineering offices or out on a power line – operations is at the root of efficiency and reliability.

“Keeping Power On”

As noted above, the Generations Division has improved significantly with the baseload units back online. GPA was also able to implement a hybrid to privatization to reap the benefits of both management models to better service ratepayers and our local economy. With the utilization of Energy Conversion Agreements (ECAs), GPA has the partnership of independent power producers (IPPs) to provide much needed generation resources from which to model efficient operations. With the PMC model, GPA will benefit from privatized management with performance standards to meet in terms of efficiency, cost savings and reliability. In the mean time, GPA employees will be afforded training opportunities in trade theory, technology upgrades, equipment familiarization and productive operations. With the expanding role of contract management for performance standards within both the ECAs and the PMCs, more and more performance standards will saturate to other facets of operations.

“The Line Crew – An Ops Icon”

One such operations center involved with the shift towards performance standards is the Transmission & Distribution division. Every aspect of T&D involves the transmission, distribution and reliability of electrical services. As such, aggressive maintenance activities for the Meter/Relay Shop, Overhead, Substation, Troubshooters and Underground sections are fully engaged to reduce forced outages i.e. tree trimming operations, three phase metering, timely response to trouble reports, outage coordination and planning and equipment upgrades.

T&D is also in the midst of upgrading its vehicle fleet with acquisition of new bucket trucks, heavy equipment and vehicles to replace an aging support fleet. The replacement of the existing fleet will be staged in phases as new preventive maintenance programs are placed to extend the life of the new vehicles.

Additional trade theory training courses are also being implemented to meet the changing field conditions and operational environments T&D personnel are to work in. The upgrade of technology, FEMA requirements for reimbursements, maintenance activity and trade theory are expanding the requirements for employees to remain competitive and competent to increase efficiency and reliability. Training courses also involve physical competition, like the Lineman Rodeo Competition, to stay abreast of new safety standards, innovative work techniques and trade skills. GPA recently participated in one such competition with the Commonwealth of the Northern Marianas (CNMI) Commonwealth Utilities Corporation (CUC) and garnered first place standing in a majority of the events - a truly outstanding accomplishment.

“Nerve Center”

The Power System Control Center (PSCC) is the nerve center of coordinated activity for both generations and T&D. Activities from both divisions are monitored through PSCC for the delivery of power to the IWPS on a daily and often hourly basis. The upgrades in PSCC will allow GPA to track and record activities for power production, outage tracking and root cause investigations. The recent upgrade of the trouble dispatch telephonic lines will track outage calls to help identify local problems for possible troubleshooting to improve service. GPA dispatchers will soon be able train future dispatchers on restoration scenarios with training equipment and real life simulations. PSCC will soon have in place an improved communications system to remotely startup fast track generators on an as needed basis; such a move would reduce the need to staff operators at the different sites thereby further reducing operating costs.

“Field Professionals”

Within the Engineering division, the future plans of underground systems are in momentum with the FEMA \$20 million dollar hazard mitigation grants to place underground systems for nine projects involving the Guam Memorial Hospital, the Airport, seven major transmission lines and the GPA Cabras Island facilities. GPA expects to break ground on these projects within FY05 & 06.

The engineering department had also begun a project in 2004 involving the physical inventory of GPA distribution system involving line hardware, transformer position and accounting for streetlights island wide. The actual fieldwork has been completed in October of 2004; currently, engineering personnel are completing the information into a database; this database can in turn be utilized for future FEMA documentation reimbursements. The mapping of the T&D assets will aid with the planning of system improvements as well as aid PSCC trouble dispatchers and GPA Trouble shooter line crews to respond to trouble calls.

Another engineering system improvement project is the installation of substation and distribution system capacitors within identified substations and areas of the distribution system. The aim of the project seeks to improve voltage delivery to these areas as well as reduce system line losses. A residual benefit would be reduction of running fast track units in the northern part of the island to maintain system voltage for customers in the Northern end of Guam – an improvement that will save the Authority and ratepayers from expensive fuel costs associated with the dispatching of such units.

Over the past decade, the IWPS has grown with the expansion and inclusion of new transmission lines, substations, the IPPs and new power plants. Other upgrades with equipment and hardware have also been included in GPA's system – however, a relay coordination study of how all these systems inter relate and respond to different system scenarios i.e. loss of units, faults and blackouts, has never been done. In 2004, GPA was able to contract out a “Relay Coordination Study” to examine the IWPS, its improvements, additions and reactions to external and internal conditions. At the completion of this long delayed study, GPA will be able to plan system protection improvements and upgrades to better protect the IWPS from forced outages and eliminate islandwide blackouts.

“Environmental”

GPA's connection with the environment has undergone a systematic growth with the expansion of the IWPS. Environmental compliance with both federal and local regulatory agencies require full time personnel dedicated to this task. In 2003, a long outstanding issue with GPA, GEPA and the U.S. EPA was the resolution of the Toto Pipeline Oil Spill. Negotiations with the property owners, regulatory agencies and insurance companies obligated GPA to finally bring to closure this issue. In 2004, although aggravated by recent storms and typhoons, the area of the spillage was contained and cleanup was started. By early 2005, GPA expects to finally cleanup this issue that was left unresolved by previous management.

In mid 2003, GPA also contracted the cleaning of its two 268,000 barrel fuel tanks at the Piti Fuel Tank Farm. This is the first stage of GPA's plan to assess the integrity of the fuel tanks and repair any corrosion and damage. These tanks are near waterways and GPA recognizes the need to ensure that the environmental threat posed by these facilities is minimized.

“Flexible Tasks”

With the expansion of GPA facilities and operations, investment into facilities management has yielded savings for the Authority through the many services provided by this multitasked group. The varied professions within Facilities has allowed for preventive maintenance programs for many of GPA facilities included newly constructed indoor substations, minor construction/repair/renovation projects, the manufacture of office equipment, grounds maintenance and typhoon preparation and recovery operations.

More specialized services are realized through the management of various contracts to include land lease agreements, pest control, courier services etc. and the inclusion of energy saving measures and procurement of energy efficient equipment.

“Service & Supply”

The procurement of supplies and services has been the recipient of criticism for many deficiencies within GPA. Changes within procurement were needed to support aggressive maintenance activities, expanding operations and increasing requests for services. During the latter part of 2003 and into 2004, significant improvement in the processing of requisitions occurred resulting in a reduction of project delays. Another significant development was the reduction of prior year “close outs” that burdened division budgets with laden expenses that remained unresolved and tied up procurement services.

Today, closer relationships between buyers and end-users (internal customers) have forged strengthened support for GPA's divisions in achieving their performance measures. The implementation of performance standards within procurements has resonated across the Authority through efficiency through improved work processes.

“INVESTING IN OUR PEOPLE”

Over the past two years, one recurring issue with the CCU was the human resource aspect of managing a recovering utility. Although GPA is allotted 583 employees, presently only 512 employees remain with GPA today. The effects of the hiring freeze, the mass exodus of seasoned employees due to the early retirement buyout, the freezing of increments and reclassifications and the inequity of an uncompetitive GovGuam pay structure have influenced many employees to seek better job opportunities elsewhere. Many of these employees are the professional field and technical service personnel.

In 2003, the CCU directed GPA Executive Management to restart the Apprenticeship program to begin recruiting personnel to fill critical vacancies in Generations and T&D. The feat was a 90-day effort to recruit 64 apprentices in two phases over the course of a year with subsequent recruitment drives to fill other vacancies identified as hard-to-fill positions. This successful recruitment effort not offered local job applicants an opportunity to compete for a U.S. Dept. of Labor certified apprenticeship program, but also to receive hands-on training at GPA and its IPPs while securing an academic requisite with the local Guam Community College. With the success of the program, GPA expects to expand the profession fields certified with the U.S. Dept of Labor to other areas of generations i.e. welding, machinist etc. In 2004, GPA expanded the applicant eligibility range to include high school students who met the requirement to work for the Agency and Government of Guam.

Another personnel program restarted by GPA was the Engineering Internship program which encouraged Guam students studying engineering abroad to come work for GPA during the Summer break and gain hands-on experience. Such relationship hopefully would encourage these same graduates to work for the Authority in their related engineering fields of study. The program is also planned to expand into engineering scholarships for those high school graduates to come back and work for GPA's engineering positions.

The investment across the apprenticeship and engineering internship programs encourages local residents with an opportunity to live, work and grow professional here on Guam. It also provides the springboard for GPA to adequately staff for a growing system with the expanding U.S. Armed Forces presence on Guam, the growing visitor industry and other industries that GPA hopes to encourage here on Guam.

Another highlight in the effort to “Invest” in our workforce is the effort to devote 2% of the total work hours to training – trainings that included On-The-Job (OJT) and off-site/on-site via classroom instruction. At the close of FY04, GPA recorded at total of 17,977 training hours – approximately 1.83% of the 984,802 hours worked in GPA. The amount of training hours is not reflective of restoration work after disasters and training not submitted to H/R for recordation.

“REBUILDING CONFIDENCE”

“Getting the Word Out”

From the onset of 2003 through the present day, the CCU recognized that GPA suffered immeasurably from a lack of transparency and disconnection from key customer groups. The networking relationships and trust was absent from communications with external and internal publics – both crucial for the success of any recovery effort - most especially for GPA.

Directives from the CCU and GPA Executive Management to reengage direct communications and improve public relations were ordered and implemented – beginning from typhoon recovery to speaking engagements to key customer groups. A campaign to rebuild trust through transparency resonated from almost every medium on island. GPA’s efforts were positively received as efforts to communicate to ratepayers on GPA’s actions and accomplishments were transmitted. Efforts to reestablish relationships with the Guam Chamber of Commerce, the Guam Hotel & Restaurant Association, the Rotary Club of Tumon Bay and the Public Utilities Commission were successful. Media outreach efforts through local talk shows, radio programs and print medium were also successful to open lines of communications to our publics.

GPA also engaged in briefings to inform employees about GPA’s direction and efforts to improve. The briefings allowed for an exchange of information to upper management on ways to improve efficiency, the workplaces and operations.

Also, GPA opened lines of communications with key customers to establish dialogue and strengthen confidence in the direction and progress of GPA. One such communications was with the command at the Andersen Air Force Base facility. As one of GPA’s biggest customer, it was important to get feedback to hear directly what is needed to improve this relationship. As a result, Andersen Officials were confident in GPA’s commitment to improve service and reliability; as such, Andersen Air Force Base committed to placing an underground line towards the Dededo Power Plants as a backup direct line for continuous power for Andersen.

“CLEARER DIRECTION”

The CCU’s efforts over the past 24 months have definitely laid the clearer direction for the Authority. Key accomplishments in operations, finances, succession planning and rate forecasting have resulted in three distinct directions for GPA’s future: Underground power, System Planning & Operational Research Division (SPORD) and possible new economic opportunities.

When bond rating companies downgraded GPA to junk bond status, any future plans to seek financing on the bond market would prove costly to GPA and its ratepayers through increased fees, insurance and interest payments. The three most prevalent issues for the downgrade involved GovGuam receivables, LEAC adjustments and FEMA reimbursements.

As indicated above, GPA essentially resolved the two latter issues; however the resolution of the \$30 million dollar GovGuam receivable is tied to the sale of GovGuam Bonds. Currently the sale of these bonds is in litigation involving the Attorney General. The case is currently with the 9th Circuit Court of Appeals – this should be resolved soon.

The reason GPA is focused on the effort to regain investment grade is simple: GPA is going underground. Financing is needed for GPA's plans to place approximately 1/3 of its lines underground; what is needed is \$250 million dollars to accomplish this effort over the span of ten years. With critical lines underground, during any recovery operations, assets and resources can be diverted to areas that are not underground to hasten power restoration. This effort will reduce revenue losses, protect our fragile visitor industry and protect vital GovGuam facilities i.e. GMH.

Another direction GPA is moving aggressively towards is with planning. The creation of the SPORD will engage in rate forecasting for GPA as a means to predict expansion, system growth and adjust rates to prevent rate shock or reduce rates. SPORD allow for GPA to engage in strategic planning and an integrated resource plan involving supply side and demand side management programs and renewable energy planning.

The renewable energy planning leads into the third direction the CCU has encouraged GPA to head towards – renewable energy resources that can provide opportunities for expanding Guam's economic base.

The availability of renewable energy resources is not new to GPA. The applications of different types of technology would have to be economic for ratepayers and feasible for our climate exposure here on Guam. One such technology is with Ocean Thermal Energy. The technology is available and has improved over the past years with success in such places as Hawaii.

GPA seeks to bring such technology to Guam as a method of reducing rates and reliance on fossil fuels; however, it would also bring about other economic opportunities. In October 2004, GPA invited members of the public and private sector to meet and discuss such an opportunity. While GPA involvement is restricted to the energy side, the residual benefits of Ocean Thermal Energy will bring opportunities for Aquaculture and Mariculture industries. Nutrients will be brought up from the deep recesses of our ocean and fertilize our reefs. This alone will provide for crustacean farming for Asian markets thereby expanding GPA's customer base, providing jobs for locals and providing revenue to our tax coffers.

“HINDSIGHT – LOOKING BACK”

The Consolidated Commission on Utilities is an elected five member commission charged with policy making authority over the Guam Power Authority and the Guam WaterWorks Authority.

Under the CCU, GPA has accomplished a phenomenal record of achievement when considering the challenges each commissioner inherited in January 2003. Through it all, teamwork was emphasized to reach on consensus what was needed to serve the ratepayer. It was this commitment that influenced every decision made by the CCU.

Under the CCU, the relationship between GPA and GWA was significantly improved to provide for ratepayers – improved coordination for outages to minimize impact to customers, improved support for resources and improved interdepartmental communications to save ratepayer funds.

It is said that hindsight is always crystal clear. This is so with the CCU as new commission members are sworn into office January 2005. Some of the work yet to be accomplished rests with the consolidation of similar services between both Agencies. Areas of human resources, procurement, customer services and accounting are likely candidates for consolidation. Efforts were started in 2003 to attempt consolidation of dispatch operations, however, these efforts were not successful; further efforts resulted in the formulation of a Chief Administrative Officer position dedicated to reviewing and recommending areas for consolidation.

Another effort new commissioners will be faced with will be for the implementation of “Utiligy” a new customer information system software package for GPA. “Utiligy” will consolidate billings for GPA and GWA, and will also allow for integration of the DPW database for tipping fee billings. On line bill payments and barcoding is also planned for implementation in 2005.

January 2005 will bid farewell to CCU Members Vincent Camacho, Secretary & Treasurer and Frank Shimizu, Vice Chairman, Guam Power Authority; and welcome new Commissioners Tom Ada and Gloria Nelson. A clearer direction for GPA is soon to begin – these are truly exciting times to be with GPA.

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