



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 *GWA Conference Room* 5:00 p.m., Tuesday, December 12, 2006

MINUTES

I. CALL TO ORDER

The Chairman called the regular meeting of the Guam Waterworks Authority to order at 5:30p.m. It was held at the GWA Conference Room. All (4) Commissioners were in attendance; Comm-elect Hara was also present. Those present included:

Commissioners:

Simon Sanchez	Chairman
Benigno Palomo	Vice-Chairman - GPA
Tom Ada	Vice-Chairman - GWA & CCU Treasurer
Gloria Nelson	CCU Vice-Chair / Secretary
Eloy Hara	Comm. - Elect

Executive:

John Benavente	General Manager, Consolidated Utility Services (GMCUS)
David Craddick	General Manager, Guam Waterworks Authority (GMGWA)
Danny Santos	Asst. GM, Consolidated Admin., GPA/GWA (AGMCA)
Randy Wiegand	Chief Financial Officer (CFO)

Legal Counsel:

Sam Taylor	GWA Staff Attorney
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Management & Staff:

Don Antrobus	Chief Engineer / Guam Waterworks Authority
Paul Kemp	Water/Sewer Maintenance Supervisor / GWA
Ron Topasna	DRC / Production & Treatment, Ugam
Elaine Cruz	Personnel Services Administrator / Human Resources
Cora Montellano	Asst. CFO / GPA
Berney Sadler	Sewer Plant Supervisor / Production & Treatment, GWA
Tony Chargualaf	Collection & Distribution Manager / GWA
Gilda Mafnas	Controller / Finance
Julie Adams	Human Resources
Mark Miller	Production & Treatment Systems Manager / GWA
B. Lou Sablan	Special Asst., Ex. Mgmt. / GPA-GWA

Media:

Lacee Martinez	Pacific Daily News
Clint Ridgell	KUAM

Guests:

Carl Quinata	Vice-speaker J. Brown's Office
Dee Spidell	Concerned Citizen
Joseph LaVells	Assoc. of Filipino Presidents / Bicol Club of Guam
John A.B. Pangelinan	Concerned Citizen

II. APPROVAL OF MINUTES

1. GWA - October 26, 2006 (PENDING)

The Minutes of October 26th was tabled pending completion.

2. November 28, 2006 (DRAFT)

The Minutes of November 28th was presented for approval. Comm. Nelson motioned to approve the Minutes subject to verification and written correction; Comm. Palomo seconded. With no objection or further discussion, the motion passed.

III. GM (CUS) REPORT

1. Separation of CFO Responsibilities / Resolution 08-FY2007

The GMCUS requested approval to hire a Chief Financial Officer (CFO) for GWA; he submitted a written request (copy in Master File). In 2003 the CCU hired a single CFO. He met with the GM's of each Agency and the CFO, Mr. Randy Wiegand, to discuss whether the current reporting arrangement fully meets their needs. All parties concluded that each utility would be better served to have a full time devoted CFO for each. He added that he believed GWA needs additional finance related professionals because the current shortage is hindering progress at the Agency and a dedicated CFO would begin process of filling in these much needed positions. He said he still believes that eventually (1) CFO could head both organizations but at this time there is too many missing links and a dedicated CFO is needed to give the department the focus it needs to solidify. He went on to point out the differences in the organizational charts (copy in Master File) between the two agencies noting the differences in the respective structures. He said both agencies are headed down a path where major projects and growth is expected and the financial department must be made solid. He said it could be that a single CFO could be reinstated in 6 – 12 months. He also advised that the current CFO has indicated that he could be more effective in his position if he were assigned to GPA and that he has agreed to continue his position at GWA until a new CFO is in place.

The GMCUS asked approval of Resolution 08-FY2007 and to proceed with a CFO position announcement for GWA. He also asked that the CCU designate a committee to conduct the interviews and recommended selection to the Commission.

Comm. Nelson asked to hear from the CFO and the GWAGM. The CFO said that he recognized from the onset that it was awkward having to report to two GM's. He said that he believes it would be best to have (2) separate CFO's. The GWAGM said that the CFO knows what is best for the division and he supports him.

Comm. Palomo commented that he really would like to see some consolidation – (1) CFO for both GPA and GWA because he believes it can be done. The GMCUS agreed with the Commissioner but also stressed the importance of the immediate focus that a single CFO can bring to the agency adding that this is sorely needed at this time.

There was discussion whether the root problem is relative to staffing or the CFO workload. The CFO said that he finds it difficult to be available when the GM needs assistance. He said he always seems to be playing catch up at both agencies and can never be ahead.

Comm. Ada said he would support the recommendation as presented by the GMCUS but had some concerns. He mentioned that at one Agency there is a Budget section within the Finance department who focuses solely on budget functions. As a result, the Budget in that Agency is a living document that is reviewed frequently and adhered to. At the other Agency the Budget is a once a year process – it is formulated and when approved, it is shelved and put away until the next fiscal year. He said he cannot understand why the structures are so varied.

Comm. Ada said he would move to approve the recommendation of the GMCUS to hire a separate CFO for GWA, however, he would like to add that within 60-days after the hiring of the CFO for GWA, each CFO would come back to reaffirm that they have reviewed their finance and accounting function and that their current structure will meet their requirements. This reaffirmation comes with serious reckoning if these resources are made available and budgets are still over-run or short. He said this is very important because ratepayers would demand (2) things – that they get their money's worth and that someone is watching their money and how it is being spent. The finance and accounting division has a very important role to play. He further commented that the Commission has given the GM's the freedom to manage the agency the way they deem necessary. If recommendations to make changes in structure or function is provided and the GM does not agree then he should be held accountable.

Comm. Ada motioned to approve the recommendation by the GMCUS to have (2) separate CFO for GPA and GWA and that after 60-days of the hiring of GWA's CFO, the (2) CFO return to the CCU to reaffirm their respective organizational structure / re-structure of the finance and accounting division; Comm. Nelson seconded.

Comm. Palomo is concerned that due to the title "chief" financial officer, the ideal of (1) chief financial officer for both agencies would be difficult and he really would like to see that a consolidated financial officer be reinstated in the future; he said he is not comfortable approving the resolution unless there is some verbiage in the resolution relative to some financial consolidation in the future.

After a lengthy discussion, the Commission amended the resolution - it was discussed to change the title of Resolution 08-FY2007 to read "to authorize the hiring of a CFO for GWA and GPA respectively"; it was also decided to delete the 4th whereas completely; add a 2nd resolve to state that after 60 days to the hiring of GWA CFO that both CFO's propose appropriate changes to their organization for budgeting, accounting and finance; to add a 3rd resolve where the GMCUS, GM's and CFO reports back on consolidated budgeting functions where appropriate;

On the amendments to the resolution, there was no objection or further discussion. On the motion to approve Resolution 08-FY2007 as amended, there was no further discussion or objection; the motion carried

IV. GM (GWA) REPORT

1. GM07-12: Ratification of DOI Training Expense; Resolution 06-FY2007

The GWAGM requested ratification of training services that have been found to have procurement deficiencies. This is in relation to O&M training program that has been initiated by GWA. His

report (copy in Master File) states that the grant application states that the training would be performed by highly qualified trainers at Dept. of Interior (DOI) and a significant factor in obtaining the grant from DOI was their inclusion. He said that management believed this to be a sole source for the training because they were the only people in the Pacific that use the training materials that GWA purchased. The sole source declaration was not prepared which is a procurement requirement and Staff Attorney Camacho advised that management seek ratification from the Commission in order to rectify it. He said the procurement deficiency was unintentional on the part of any party.

At this point, Staff Attorney Taylor recommended that the matter be discussed in Executive Session due to the pending payables. Comm. Ada motioned to follow Counsel's recommendation; Comm. Nelson seconded. All agreed and the item was moved to executive session.

2. GM07-13: Re-issuance of RFP for GWA's Trustee Services; Resolution 07-FY2007

The GWAGM submitted his documented report (copy in Master File) relative to his request to ask GEDCA, the central financial manager for GovGuam, to issue a new RFP for GWA's Trustee Services. He asked the CFO to brief the Board further.

The CFO commented that when GEDCA issued the RFP for Trustee services on behalf of GWA 18 months prior, it was determined that Bank of Guam was seeking an investment management fee of ¼ of 1% of the balance of any funds held outside of the bank. GEDCA believed that this fee could be negotiated away and it was not taken into account in the evaluation of the RFP's. The award went to Bank of Guam without further addressing the management fee and when GWA received a bill for their fee, repeated attempts by GWA to try to negotiate it away were unsuccessful.

He said GWA's bond counsel has confirmed that here is nothing in the indenture agreement that prohibits GWA from entering into a new trustee relationship noting that BOG's fees are excessive. Bank of America Securities, Inc., also believed that the BOG fees are higher than market levels and also recommended that the only way to ensure GWA is paying reasonable Trustee fees is to issue a new RFP. GEDCA would like Board action before they take any actions.

It was mentioned that Guaranteed Investment Contracts were bid and an off-island company, Aagon, is holding most of the funds; these funds, as they are drawn down, are deposited into GWA's construction fund account at Bank of Guam. Bank of Guam gains interest not only on the funds in the construction fund but also charges a fee for the funds in the off-island account.

There was discussion regarding management's negotiation attempts with Bank of Guam. The CFO said he discussed being more aggressive with the draw downs but it did not bear any fruit. GPA pays only \$10k per year for their trustee services. BOG is charging GWA \$100k per year which includes the interest on monies not even housed with BOG.

The Staff Attorney confirmed that bond covenants does not prohibit GWA from rebidding the Trustee services, they just need to notify the current Trustee. It was also mentioned that GWA must continue to pay BOG for their fees until a new trustee is found. It was noted that the process of finding a new trustee and to effectuate the new arrangement would be a couple of months.

Comm. Palomo motioned to approve management's request to ask GEDCA to issue a new RFP for GWA's Trustee services for the purposes of discussion; Comm. Nelson seconded.

In discussion, Comm. Ada asked to see Bank of Guam's letter in response to GWA's negotiation. The Chairman provided Bank of Guam's letter dated 12/4/06 (copy not provided Master File) that indicated if they do not receive GWA's payment of \$76k, billed since March, they would extract it automatically from GWA's O&M funds. Management confirmed that the \$76k has already been paid. Comm. Ada responded that now it seemed that management did not respond to Bank of Guam referring to several phrases in the 12/4 BOG letter. For the record, the CFO confirmed that he wrote to BOG to request if the fee can be waived. BOG responded in writing that they are not willing to change the terms of the current agreement with GWA and still want to collect the management fee. Comm. Ada said he would like to see BOG's letter. The matter was tabled pending receipt of the letter.

The CFO provided a letter from BOG dated 7/25/07 (copy in Master File) and referenced the 2nd page where BOG said that the management investment fee must continue. The GMCUS said he is all for rebidding the Trustee Services if all efforts have not been exhausted (referring to paragraph 3, page 2). The CFO responded that his negotiation was only that GWA needs relief; BOG responded that their managerial fees are justified.

Comm. Palomo motioned to authorize management to go back to Bank of Guam to re-negotiate the management fees for their Trustee Services; Comm. Nelson seconded

Comm. Ada said he supports the motion and asked management to be firm in their negotiation efforts.

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

V. COMMUNICATIONS

1. Public Comment

Mr. Joseph Lovell – is the former president P.I. President's Club and organizer of the Bicol Club of Guam. He gave testimony against the proposed 11% rate increase. He said that GWA makes money on the shut off valve installation. The Chairman told Mr. Lovell that the \$70 being charged ratepayers is not revenue for GWA; it is paid directly to the installation company. Mr. Lovell said that the AMR ads state that the performance on reading would improve by 30% which is another increase in revenue for GWA. Lastly, Mr. Lovell advised against the use of the AMR meters because they are not tamper proof.

John Pangelinan – commented about the continued rate increases. He said he spoke to the Chairman and the CFO about 4 years ago and to date there is no action. He said there are funding sources at the Federal level that are available and no one has given him a clear answer. He said the CCU has the fiduciary responsibility to keep rates low and he does not think this is being done.

The Chairman said the challenge for GWA is the magnitude of funds that is needed - \$250M from the court order, \$900M per the Master Plan. Federal Grants are available but you must compete for them and there is no guarantee that you will be selected. In addition, the funding amount is small. He advised that GWA receives \$2-3M from EPA annually. The Chairman pointed out the debt service related to the amount of funds needed. Comm. Nelson added that she has discussed with the GMCUS the importance of hiring a good grant writer. Mr. Pangelinan said the ratepayers cannot afford more increases and to force the issue of grants in the future. He will be vigilant.

VI. STAFF REPORTS

1. Chief Engineer

The Chief Engineer initially spoke about non-project issue events. He said he has lost some DRC's and had to rotate others. He said there is now a signed contract for the outfalls. He was concerned about the Puntan Dos Amantes issue and its impact on work with the Northern Treatment Plant. The Chairman asked the CE to provide the CCU his proposed plans for the remaining bond funds for projects in the villages. The Chair said he would like to let the public know what projects are being planned in their village for the fiscal year.

He also reported about the new school being built and how DPW is relying on GWA to issue the final approval.

2. Asst. GM Consolidated Administration

The AGMCA said that his biggest concern is with the high defective meters and transponders. In addition, the auto readings are weak and this is associated with the transponders. Metro Fernier is aware of this matter and is doing some analysis. The AGMAC said this issue may delay the readings. Comm. Ada said he is concerned about customer impact and recommended that meters be bench tested prior to release. AGMAC also shared that meters have been tampered which is the result of letting customers borrow the key to access meters.

3. Financial - None

4. Production / Treatment

M. Miller reported that he has reached a point where he is able to address the over pumping of wells. He said commended GPA Engineer Barbara Cruz for her assistance in this regard. He reported that the BFD would be bid shortly. His efforts will now focus on the over pumping issue.

5. Collection / Distribution

T. Chargualaf talked about Navy going off-line for regular maintenance but GWA was able to keep water flowing for an additional day. The GMCUS said that Agat and Sta. Rita not running out of water is a very big accomplishment and commended the employees. M. Miller commented that management has been successful addressing reliability issues and now can focus on efficiencies.

6. Compliance

The Compliance Office reported that some employees are undergoing safety programs / classes.

7. Human Resources – None

8. Legal - None

At this point, the Chair called for a recess; it was 8:20 p.m. He called the meeting back to order at 8:25 p.m.

VII. OLD BUSINESS

1. GM07-07: GWA Rate Increase

The CFO requested a 14.24% rate increase to take effect in May 2007. He gave a detailed explanation supporting the need for the rate change. The (2) main factors attributing to the increase is the negative effect on GWA's financials when PUC reduced management's PY rate increase request and the initiation of GWA's debt service payment for the \$100M bond funds which

is expected to take effect shortly. There was also very lengthy discussion regarding cost cutting measures.

Comm. Ada motioned to submit to PUC GWA's proposed rate increase of 14.24%; Comm. Palomo seconded.

In discussion it was mentioned that management will draft a resolution that embodies the reason behind the increase.

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

2. GM07-11: Chief Engineer Contract (Possible Ex-session)

This matter was discussed in Executive Session.

3. GPA Loan

This matter was tabled.

VII. NEW BUSINESS

1. GPA Resolution 2006-47: Change in Bank Signatories

Resolution 2006-47 was presented to the Commission for approval. It was a request to change the signatories for Guam Power Authority's financial documents due to staffing changes. The limitation for the amount requiring (2) signatories has not been modified for more than a decade. The transaction amount of \$10k would require a single signatory and all other amounts would require (2) signatories. The signatories are: John Benavente, Joaquin Flores, Andy Balajadia, Randy Wiegand, Cora Montellano and Lenora Sanz.

Comm. Palomo motioned to approve Resolution 2006-47 to authorize the change in signatories for GPA financial transactions; Comm. Nelson seconded. There was no further discussion or objection and the motion passed.

VIII. ANNOUNCEMENTS

1. Future Meeting Dates

The Chairman announced that the next CCU meeting will be at GPA on December 12th for GWA.

IX. EXECUTIVE SESSION

The Chairman recessed regular session at 9:50 and p.m. and Executive Session began immediately.

1. Personnel Issue 07-02: CE Contract

This item was not discussed

2. GM07-12 Ratification of DOI Training Expense / Resolution 06-FY2007


This item was discussed.

Executive Session adjourned at 10:15 p.m. and the Chairman called Regular Session immediately.

Comm. Ada motioned to ratify GM07-12 / Resolution 06-FY2007 relative to the DOI training expense, as discussed in Executive Session; Comm. Palomo seconded. With no further discussion or objection, the motion carried.

X. ADJOURNMENT

With no further discussions to bring before the Commission, the regular meeting was adjourned at 10:30 p.m.

Attested: 
SIMON A. SANCHEZ II, Chairman


GLORIA B. NELSON, Secretary

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**CONSOLIDATED COMMISSION ON UTILITES
REGULAR MEETING OF
Guam Waterworks Authority
Tuesday, 12/12/06, 5:00 p.m.**

SUMMARY OF MOTIONS, RESOLUTIONS & PENDING ACTIONS

I. MOTIONS & RESOLUTIONS

ITEM #	AGENDA ITEM	MOTION OR RESOLUTION	VOTES
1.	Approval of Minutes: November 28, 2006	The Minutes of November 28th was presented for approval. Comm. Nelson motioned to approve the Minutes subject to verification and written correction; Comm. Palomo seconded. With no objection or further discussion, the motion passed.	Ayes – 4 Nays – 0 Absent – 0 Abstention - 0
2	Separation of CFO Responsibilities / Resolution 08-FY2007	<p>Comm. Ada motioned to approve the recommendation by the GMCUS to have (2) separate CFO for GPA and GWA and that after 60 days of the hiring of GWA's CFO, the (2) CFO return to the CCU to reaffirm their respective organizational structure / re-structure of the finance and accounting division; Comm. Nelson seconded.</p> <p>After a lengthy discussion, the Commission amended the resolution - it was discussed to change the title of Resolution 08FY2007 to read "to authorize the hiring of a CFO for GWA and GPA respectively"; it was also decided to delete the 4th whereas completely; add a 2nd resolve to state that after 60 days to the hiring of GWA CFO that both CFO's propose appropriate changes to their organization for budgeting, accounting and finance; to add a 3rd resolve where the GMCUS, GM's and CFO reports back on consolidated budgeting functions where appropriate</p> <p>On the amendments to the resolution, there was no objection or further discussion. On the motion to approve Resolution 08-FY2007 as amended, there was no further discussion or objection; the motion carried</p>	Ayes – 4 Nays – 0 Absent – 0 Abstention - 0
3.	GM07-12: Ratification of DOI Training Expense; Resolution 06-FY2007	Comm. Palomo motioned to approve Resolution 2006-47 to authorize the change in signatories for GPA financial transactions; Comm. Nelson seconded. There was no further discussion or objection and the motion passed	Ayes – 4 Nays – 0 Absent – 0 Abstention - 0

**CONSOLIDATED COMMISSION ON UTILITES
REGULAR MEETING OF
Guam Waterworks Authority
Tuesday, 12/12/06, 5:00 p.m.**

	GM07-13: Re-issuance of RFP for GWA's Trustee Services; Resolution 07-FY2007	<p>Comm. Palomo motioned to approve management's request to ask GEDCA to issue a new RFP for GWA's Trustee services for the purposes of discussion; Comm. Nelson seconded.</p> <p>Lengthy discussion followed, afterwards,</p> <p>Comm. Palomo motioned to authorize management to go back to Bank of Guam to renegotiate the management fees for their Trustee Services; Comm. Nelson seconded.</p> <p>Comm. Ada said he supports the motion and asked management to be firm in their negotiation efforts.</p> <p>On the motion, there was no further discussion or objection. The motion passed.</p>	<p>Ayes – 4 Nays – 0 Absent – 0 Abstention – 0</p>
4.	GM07-07: GWA Rate Increase	<p>Comm. Ada motioned to submit to PUC GWA's proposed rate increase of 14.24%; Comm. Palomo seconded.</p> <p>On the motion, there was no objection or further discussion; the motion carried.</p>	<p>Ayes – 4 Nays – 0 Absent – 0 Abstention – 0</p>
5.	GPA Resolution 2006-47: Change in Bank Signatories	<p>Comm. Palomo motioned to approve Resolution 2006-47 to authorize the change in signatories for GPA financial transactions; Comm. Nelson seconded. There was no further discussion or objection and the motion passed</p>	<p>Ayes – 4 Nays – 0 Absent – 0 Abstention – 0</p>

II. PENDING ACTION

ITEM#	AGENDA ITEM	PENDING ACTION	VOTES
1.	Staff Report: Chief Engineer	The Chairman asked the CE to provide the CCU his proposed plans for the remaining bond funds for projects in the villages. The Chair said he would like to let the public know what projects are being planned in their village for the fiscal year	D. Antrobus
	GM07-07: GWA Rate Increase	In discussion it was mentioned that management will draft a resolution that embodies the reason behind the increase.	S. Taylor