



GUAM POWER AUTHORITY

ATURIDÁT ILEKTRESEDÁT GUAHAN
P.O.BOX 2977 • AGANA, GUAM U.S.A. 96932-2977

CONSOLIDATED COMMISSION ON UTILITIES
REGULAR MEETING OF
GUAM POWER AUTHORITY
GPA Board Conference Room
5:00 p.m., Tuesday, October 11, 2005

MINUTES

Chairman Simon Sanchez called the Regular meeting of the Consolidated Commission on Utilities to order to discuss GPA related matters. He announced that there was a quorum despite the fact that Comm. Ada was still off-island. The meeting was held at the GPA Board Conference Room and began at 5:25 p.m.

He also extended condolences to Comm. Palomo and his family in the passing of his brother Eddie, on behalf of the Commission and Management. Due to Comm. Palomo's need to attend the customary rosary, the Chairman asked Management to move agenda items that require Commission approval to the top of the list.

ROLL CALL

Commissioners:

Simon Sanchez
Benigno Palomo
Tom Ada
Gloria Nelson

Chairman
Vice-Chairman - GPA
Vice-Chairman - GWA & CCU Treasurer – **Excused (Off-island)**
CCU Vice-Chair / Secretary

Executive:

John Benavente
Joaquin Flores
Andy Balajadia
Danny Santos
Randy Wiegand

General Manager, Consolidated Utility Services (GMCUS)
GPA Gen. Manager, Acting (GM)
Asst. GM, Operations, Acting (AGMO(A) – **Excused (Off-island)**)
GPA/GWA Asst. GM, Consolidated Admin. (AGMCA)
Chief Financial Officer (CFO)

Legal Counsel:

Graham Botha
Sam Taylor

GPA Staff Attorney – **Excused (Off-island)**
GWA Staff Attorney

Management & Staff:

Pam Aguiqui
Ron Okada
Julie Quinata
Melinda Camacho
Cora Montellano
Tamra Muna
Herbert Pinaula
Tom Borja
Sylvia Tumaneng
Jamie Pangelinan

Chief Budget Officer / Finance
Manager / T&D
Personnel Services Administrator / Human Resources
Engineering Manager (A) / Engineering
Asst. CFO / Finance
Contracts Administrator / Finance
Manager, Equipment Support Services / Transportation
Facilities Manager / Facilities
Engineer Supervisor / Planning & Regulatory
Supply Mgmt. Administrator / Procurement

CCU Meeting 10/11/05

B. System Update

The GM advised that Cabras Unit #2 due to repairs to the boiler tubes that needed specialty welding. It should return back on-line tomorrow.

C. FEMA Update

The CFO said that all but \$182k still remains to be paid from Chata'an. The GM reported that \$900k was received last Friday for Chata'an and \$290k for Pongsona. Most of the \$2.7 million pending for Pongsona is work to be completed. Once completed, invoiced and filed, the reimbursement will follow.

D. GovGuam Receivables

The GM reported that all Agencies are current. He mentioned that the FY06 Budget Law reflects that \$3.9 million was appropriated to DPW for street lights and \$14.5 million to the Guam Highway Fund that may augment the \$3.9 million.

There was discussion regarding the status of determining the correct number of street lights that the FY06 budget would fund. The GM believed that the Legislature funded the entire number of street lights in GPA's inventory in the FY06 budget. The AGMO would oversee the process to confirm this and a report would be submitted when ready. A presentation would then be made to the Commission, Senators and Mayors.

There was discussion on the \$36.8 million in Promissory Notes owed by DOE, GWA, DPW and GMH. Comm. Nelson asked what benefit it would be to the ratepayer if the Government paid down these notes. It was mentioned that the ratepayers would benefit indirectly through a stronger cash flow and improved receivables which both directly impact GPA's bond rating. It would also pay off the \$20 million line of credit that was borrowed by the former GPA administration which translates to a savings of about \$800 – \$900k per year in interest. It also mitigates any potential rate increase in the future. The CFO said it also impacts GPA's borrowing costs i.e. lower interest rates that translate to a healthier bottom line.

On a different matter, the Chairman referred to a question that was brought up at a recent Chamber meeting: Could GPA/GWA place a lien on property for unpaid power/water bills and when the property is sold, could a portion of that sale go toward satisfying the former land owner's outstanding bills? The Chair was advised that this was practiced by a certain State and said he would get more detail. He asked both Legal Counsels to provide their Opinions whether this option is available and stated that the objective is to protect the Utilities. He said the intention is to focus on getting the ratepayers every tool possible to collect what is owed them because they own GPA and GWA.

Comm. Palomo commented on the previous topic relative to the Promissory Notes. He said when he visited the Bond Rating Agencies it was clear to him that it was important to them that the Utilities show a history of success. He said the one thing that struck him the most was the great emphasis placed between the relativity of receivables and ratings. He said that GovGuam not paying their bills brought GPA's bond rating down to junk status – a risky investment. He said that people have to be made aware that this is very critical. With our current junk bond status, GPA loses about \$1 million a year in interest. Comm. Nelson said that perhaps GPA needs to escalate the interest rate imposed on Promissory Notes with every year that it remains unpaid.

CCU Meeting 10/11/05

E. Operations Dept. Reports

The Operations Report was included in the Advanced Packet and the Commissioners had no questions for Management.

F. System Losses

The usual report was included in the packet but not discussed.

IV. COMMUNICATIONS

A. Public Comment - None

B. Inafa Maolek

The Personnel Services Administrator announced that GPA received an award from the Inafa Maolek Association for GPA's participation in its pilot program for the Mediation Program in the Workplace. GPA was the first Agency to adopt mediation services for employees. She explained that if there is a dispute between employees and management and the issue cannot be resolved, it is referred to Inafa Maolek's Mediation Services before it actually becomes adverse or before disciplinary action is served. GPA was awarded a plaque for the "Workplace Mediation Award". The GMCUS mentioned that this is another avenue employees can take before going through the Civil Service Commission and commended the HR group for their foresight.

C. Mag Hope Awards

The GM announced that GPA won the Dept. of the Year award for Government of Guam and presented its trophy to the Commission. The presentation was accompanied by a framed Resolution from the 28th Guam Legislature. It was noted that the sponsors of the Resolution were Senator's Jesse Lujan, Frank Aguon, Jr. and Joanne Brown.

D. Other - None

V. LEGAL COUNSEL

Staff Attorney Taylor announced that the GPA loan was signed by both managers of GPA and GWA. All that remains is the signature of the Governor. It was discussed and decided that the letter of enclosure should include the rationale behind the loan and his concurrence as required by law and the repayment aspect. The Commissioners asked the GMCUS to decide who should sign the letter.

Comm. Palomo asked Legal Counsel his opinion regarding the recent Supreme Court decision regarding the hiring of attorneys by Government Agencies. The Supreme Court's denial of the AG's Appeal exhausts the AG's remedies unless he petitions the U.S. Supreme Court for a Review. Discussion followed about the legality of GPA and GWA's hiring of its own attorney's. Attorney Taylor said he would make a report on this a present it to the Commission because it is not as simple as everyone thinks.

VI. OLD BUSINESS

A. Self Insurance

The GM reported that there has been discussion with PUC, in previous regulatory conferences, that the use of the self-insurance fund may include GPA's 10% FEMA share for hazard mitigation which totals about \$3 million. He said because of GPA's self-insurance, the cap may be raised to 6.4% which is the statistical average of expenses for the last three storms. In

CCU Meeting 10/11/05

discussion, it was recommended that the approval be done on an administrative level via the AOJ. A meeting has been scheduled for Thursday, 10/13/05 to determine what could be done without full rate proceedings.

B. LEAC

The GM said that there would be no change on the LEAC at this time. There is a public hearing scheduled for Friday evening at 6 p.m. on this and the matter mentioned above.

VII. **NEW BUSINESS**

A. Resolution 2005-30 – Diesel Engine Cylinder Lubrication Oil Supply Contract

For the record, this resolution was entertained immediately after the Approval of Minutes but inserted in these Minutes as listed in the Agenda.

The GM reported that there was only one (1) respondent to this IFB – Shell Guam, GPA's current supplier for cylinder oil. He referred the Commission to the attached bid evaluation which indicated approximately 12% increase per gallon, or \$1.2 million contract for the 1st year. He advised that subsequent extension options for years 3 & 4 show a substantial increase and said that GPA may wish to re-bid these years depending on market conditions. He said there is a problem with cylinder oil in the market due to a fire in Singapore and Hurricane Katrina, which taxed the supplies of this product making it a very difficult commodity to provide. The Resolution indicated an award to Shell Guam in the amount of \$1.2236 million for 280,000 gallons of cylinder oil.

The GMCUS added that diesel engines cannot run without this component and mentioned that Management will discuss supply matters with MEC to avert a shortage of the product.

There was discussion on the economic impact on the bid price – Schedule 2 of the handout. The GM explained that during the contract year, there would be a 12.6% increase from \$3.88 to \$4.37 per gallon. During the extension years 1-2-3, the increase would be 23.7% - 36.6% and 54.6% respectively. He said that Management chose to structure the contract in this fashion to ensure that the product would be guaranteed by Shell. He also mentioned that GPA would only award one (1) year at a time. The increase over all four (4) years / contract period would be 31.9% or \$1.386 million. The GM said that GPA has 90 days to advise the supplier regarding its intent to effectuate extended years 1-2-3 giving management an opportunity to evaluate market conditions in advance before doing so.

In response to Comm. Palomo's concern regarding the possibility of a monopoly, it was reiterated by the GM that several bidders picked up packets but there was only one (1) who responded. He also mentioned that there is potential for other suppliers to take part in future bids.

Comm. Palomo motioned to approve Resolution 2005-30, authorizing Management to enter into a supply contract for Diesel Engine Cylinder Lubrication Oil with Shell Guam, Inc. Comm. Nelson seconded. There being no further discussion or objection, the motion carried.

B. August 2005 Financials

The CFO reported that sales were down for August which translated to a 2% variance for kWh sales for the year. He was unsure of the cause but guessed that ratepayers are becoming

CCU Meeting 10/11/05

more cautious about power consumption due to the recent LEAC adjustments. The good news is that LEAC is now 10% higher than forecast and GPA is very close to recovering its fuel cost. He attributed this to base load generators operating at 99% - which has gone a long way towards mitigating the increases in fuel costs.

He highlighted that the PUC has approved for GPA to recover \$2.5 million from the Self-insurance Fund to subsidize losses due to previous typhoons and earthquakes. This amount was credited in August which improved the Income Statement. He said he planned review other similar costs previously expended which may qualify for a similar recovery.

He said YTD figures indicate a loss of \$300k and almost at the break even point. Relative to being profitable at the year end, the CFO said that it would depend on work order closeouts. Until this is complete it is hard to forecast. He said his guesstimate is that GPA would record a slight loss at the end of the year.

C. TCP-GPA Line of Credit – Cathay Bank

The CFO reported that Cathay Bank has accepted GPA's request to extend the existing commercial paper for an additional year. A letter from the bank was included in the packet (copy in Master File). He said he would draft a resolution related to this matter at the next CCU/GPA meeting.

VIII. OTHER BUSINESS - NONE

IX. ANNOUNCEMENTS

A. Future Meeting Dates

The Chairman said there would be a CCU/GWA meeting next Tuesday, October 18, 2005 and mentioned that the next CCU/GPA meeting could be in 2 weeks. He deferred final decision to management.

B. Other

X. EXECUTIVE SESSION

There was no Executive Session

XI. ADJOURNMENT

With no further discussions to bring before the Commission, the meeting was adjourned at 6:55 p.m.

Attested:


GLORIA B. NELSON, Secretary


SIMON SANCHEZ II, Chairman

//bls