



CONSOLIDATED COMMISSION ON UTILITIES

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

GUAM WATERWORKS AUTHORITY REGULAR BOARD MEETING

GPA Board Conference Room
5:00 p.m., August 4, 2009

MINUTES

I. CALL TO ORDER

Chairman Simon Sanchez called the regular meeting of Guam Waterworks Authority to order at 5:10 p.m. He announced that all 5 Commissioners were present. Those in attendance include:

Commissioners:

Simon Sanchez	Chairman
Benigno Palomo	Vice Chair, GPA
Eloy Hara	Vice Chair, GWA
Gloria Nelson	Secretary
Joseph (Joey) Duenas	Treasurer

Executive Mgmt:

John Benavente	GMCUS
Len Olive	GWAGM
Joaquin Flores	GPAGM
Kin Flores	GPAGM
Sam Taylor	Staff Atty., GWA

Management & Staff:

Elaine Cruz	Personnel Administrator / GWA HR
Martin Roush	Chief Engineer / GWA
Paul Kemp	Asst. GM, Compliance & Safety
Mark Miller	Asst. GM, Production & Treatment
Gilda Mafnas	Controller / GWA
Heidi Ballendorf	Director of Communications / GWA
Jesse Lujan	Asst. GM, Collection & Distribution
Yuka Cabrera	Internal Auditor
John Pangelinan	GWA
Joey Claveria	Asst. CFO
Andy Balajadia	Asst. GM, Operations / GPA

Guests:

Rick Unpingco	Veolia Water
Gerald Fitzgibbons	Veolia Water
Edward Eastman	Veolia Water
Connor Murphy	PDN

II. APPROVAL OF MINUTES

The Minutes of May 12, 2009 & June 9, 2009 was presented for approval.

Comm. Palomo motioned to approve the Minutes subject to verification and written correction; Comm. Duenas seconded. There was no further discussion or objection and the motion passed.

III. **GM (CUS) REPORT**

1. **Water System Update**

The GMCUS said that the O&M team is working well; progress is being made in reporting and addressing problematic wells and conditions, daily monitoring of each wells production and trips. GWA's preventive maintenance program is in its early stages but underway. Well failures are tracking 2 per month. The Y-7 well that has been hard broke for many years and its restoration work has begun and expected to return back on-line this month. Inclement weather caused the Ugum TP to shut down periodically the past week – identification and correction of root cause problem at intake screens ongoing. The GMCUS also mentioned the following priorities for this FY – continued / ongoing root cause analysis and implementation of consistent preventive maintenance program to reduce well failures; increase of production capacities per zone; increase reservoir levels in central and south sectors; continue ongoing leak detection program; install Supervisory Control and Data Acquisition System (SCADA) system; consolidate system dispatch center; rehabilitate critical hard down Well Y-7; continue VFD installation & coordination and identify new well sites.

The Commissioners said they wanted to see a timeline on the installation of the SCADA project

2. **Meter Task Force Update**

The GMCUS said much progress has been done to resolve the current meter / revenue crisis. There was a substantial drop in billings in June but revenues in July showed an upward trend. Credit adjustments have decreased which is a sign that the exception report and crew investigation process is improving. The process to identify defective meters have also improved. The GMCUS also submitted graphs and charts as visuals for monthly tracking of meters and zero reads for both AMR and non-AMR meters, revenues per month since March 2009. He added that Customer service has begun to use handheld Datamatic meter reading devices in early July substantially reducing the number of billing exceptions. The Chairman is concerned that the 10,000 meters will run out therefore affecting new customers. The GMCUS responded that the meter repair shop will begin to look at all meters and identify those which could be reused & put back into the ground. Those deemed non-repairable will be packed and returned to Metron Farnier for replacement.

The GMCUS said his goal is to put a program in place which will enhance revenues by quickly identifying and correcting meter issues quickly. His goal is no less than \$4.2M per month.

The GMCUS continues to hold weekly meetings to review the progress and adjust processes as needed. The Chairman said he would like to management to have a strong game plan to address the meter issue once and for all. The GMCUS said GWA will consult experts in the field and prepare recommendations to the CCU; the GWAGM emphasized that a conference call is scheduled Friday morning with a nationally renowned engineering firm and meter experts to validate that the solutions that GWA's is considering is viable and to get a 3rd party input. The Chairman said the next 60-days is critical. The GMCUS said his immediate focus is to work on a bridging process which will protect revenues as much as possible until a permanent solution is achieved. He added that the PUC also expects a report on the meter issue by November 2009.

IV. **GM REPORT**

1. **PUC / Rate Update**

PUC approved GWA's 5-year financial plan on July 27th and he provided the CCU with a copy of the PUC Order. He said the 2010 rate increase is 14% and took effect this past 8/1; 2011 is 8%; 2012 is 4.9% and 2013 is 8%. Every June a true-up will be done to confirm / justify if the plan is valid or not.

2. **Legislative Update**

There are 3 bills that effect GWA –

Bill 30-183 relative to short-term borrowing and increased coupon rate; The GWAGM said this will enable both the bonding coupon rate increase & short-term borrowing in the 5-year financial plan. He thanked the Chair for lobbying with the Legislature in this regard. The Chairman said this Bill affects long term borrowing – change in interest rate and the amount that can be borrowed; the consensus is that they will support the short term loan now via a rider to the Legislation that would allow the short term loan; re the long term loan – they want to see GWA's performance with the rate increases and the meter issue and see what happens.

Bill 30-??? This bill is relative to long range contracting extension for PMC's & PPP's etc. This affects GPA and GWA and will take the term of PMC and PPP's to 15 years.

Bill 30-168 relative to Public Works protection of right of way. This affects GWA because it does infrastructure work on the right of ways; the GWAGM said and one thing that he thinks will come out of this bill is the franchise agreement for utilities.

3. Financing Strategy Update

GEDA gave GWA the latest markup on the RFP; the latest relative dates – RFP ads will begin this Thursday with August 28th deadline. The Chairman commented that the loan is big and the term is short. He recommended that management speak to GEDA, in light of the conversations with the Legislature, to craft language in the RFP that allows lenders to make an offer greater than 5-years, less than 10-years. The GWAGM concurred and will speak the GEDA on this issue.

4. Management Audit Update

Phase II of the Management Audit is being reviewed by Georgetown and PUC. There are nine (9) tasks have been removed due to lack of funds. The Chairman asked if management would like to put back any items – to identify what they are the funding amount. Commissioner Duenas added to rank them by priority

5. Veolia Contract Update

The GM asked for a work session prior to the GPA meeting at the end of the month and would like the item placed on the GPA Agenda for discussion. The work shop will be at 3:30 p.m. at GPA. The work session will be noticed publicly.

6. DoD Update

The GWAGM provided the CCU with the link to the GAO document – a 65 page document. The information on the document is based on data provided by NavFac and pre-CCU period. He said there are some fatal flaws in the report and management should respond within 30 days.

7. SDC Update

The GWAGM said management is at the end of the process and the final number is still ongoing process. The rules of implementation is also a work in progress. He hopes to have something to the Commission at the September GWA meeting. He said the PUC hearing will be in September and hopefully implementation in October. The Chairman said a CCU work session would also be a good idea.

8. Ugum Update

Early last week it was discovered that the turbidity levels were incorrectly reported. Looking at the records, it seems virtually impossible that this could not have happened in a natural way and management is investigating this further to confirm the probability that the report was falsified by a GWA employee. The impact was that a considerable amount of water was released to the public with corresponding reading of 1.3 NPU turbidity levels - an unacceptable standard. The acceptable threshold is 3 NPU's. When this happens, a boil water notice should have been released but it was not done immediately. The GWAGM said that he understands that GWA's credibility is at stake and that the investigation is ongoing. He will provide CCU more information probably during Executive Session.

9. September CCU Meeting

The GWAGM requested that the GWA September meeting be on Sept. 1st because he will be off-island for the rest of the month.

V. COMMUNICATIONS

1. Public Comments - None

VI. NEW BUSINESS

1. GPA Resolution 2009-34: Approval to Develop Master Plan for Fadian Admin & Ops Center & Long-range Space Requirements

The GPAGM said this resolution is an amendment request to change the contract price from \$364k to \$420k due to rates by the architect. There scope of work has not changed. GPA has identified funds this FY to start the project. The package states this project is for build operate and own/lease. It will look at all aspects of space planning for all GWA / GPA operations in the next 2 years. The schematics includes a complete bid document /

turn key project. The essence of the request is due to the change order for \$55k more due to change in architectural rates. GPA would like to award the contract immediately and move the project forward.

Comm. Nelson motioned to approve; Comm. Duenas seconded.

In discussion, Comm. Asked when the development of the Master Plan will be completed. The GM said March 2010.

There was no further discussion or objection and the motion carried.

VII. OLD BUSINESS - None

VIII. STAFF REPORTS

1. Legal

The CSC has resisted all his efforts to allow them to hear CTP appeals. So, until the Legislature passes legislation mandating that CSC hear the appeals, the CCU will have to entertain any are formal appeals filed by employees. The legislature still plans to do something but it not clear as to the timeline. The CSC rules are now applicable to any appeals heard by the CCU. He said the CCU needs to be cognizant that this is a true possibility.

Legal Counsel is working on a report that will be submitted to the PUC that will enable GWA to transfer \$170k into the island water and wastewater infrastructure development fund, basically for SDC. He will forward report to ALJ and hopefully will take effect in a month or so.

2. Financial

GWA didn't show a loss in June due to receipt of \$865k grant from federal government. Without this cash influx the loss would have been \$800k loss. Revenues stand at \$3.7Million a drop from \$4.2Million in May. In discussion it was discussed that the drop could be caused by the schools shutting down during the summer. The Chair said May/June last FY is consistent. The projection for July is \$4.3Million so the consensus is it may not be the schools at all. The GMCUS said the problem could stem from meter reading issues. The Chairman said that the financials is trending toward a \$5.5 Million in operations. Revenues are off \$2Million vs. same period last FY. Expenses are in-line; its revenues that are short and this is still the challenge.

In discussion it was mentioned to create an executive summary of exceptions during the month.

3. Water Maintenance & Operations

Jess Lujan reported that the Leak Detection crew is undergoing equipment training / classroom hours due to the heavy rains. He said that 3Million gallons have been found to be leaking and recovered 61% of the leaks with 39% still pending. The Leak Detection program will last for 3 years. 528 complaints were received and 444 or 84% was addressed, 84 or 16% are still pending. Re pump facilities – 100% of the northern pumps are operational; 92% in the Central and 100% in the South.

4. Administration Dept. Reports - None

5. Chief Engineer

The Chief Engineer said he is glad to be a member of the GWA team, a great organization. He said GWA is no different than any other organization in transition and moving forward; he is proud & excited to be a member of the team. He said he brings his strength in development review and system planning. In customer service – the development guide book to provide standards for the development community together in January 1st; in customer service – communicating the CIP Plan to management and public; working on staff development. There are a couple of major projects going in sewer and water. He said he is working on revising summary reports to the CCU.

Comm. Hara asked status of the moratorium project; management said they are waiting for the funding. The process of how the project will be prioritized is complete. \$5Million of the \$30Million short-term loan will be budgeted for the moratorium projects; the bond funds will finance the balance.

Relative to system planning the CE said a bubble map is being created and is about 60% complete. It is an operational tool that will help everyone know how the water system works and will drive GWA's entire technical

plans i.e. hydraulic model etc. The CCU will see more system planning / long-term planning so decisions in GWA's 5-year program will be part of its 20-year plan.

There was discussion on JGPO and GWA's strategy on the aquifer development plan. The GWAGM said that the information was forwarded to the Vic, lead at JGPO.

6. Wastewater O&M

June was a high maintenance month due to unprecedented weather. In June there were 125 PM projects and now reactive maintenance is trending downward. There were 25 incidences related to spills and over half are due to grease build-up. This is a huge issue and Veolia / GWA engineering is working on a strategy to resolve matter. Bio solids management were disposed at the Ordot landfill and they used to charge \$30 per truckload. This is now \$500 per truckload and in 6 months will be closer to \$1100 a truckload. Bio solids if treated can be a great fertilizer; management will work to find various ways to dispose of the matter as alternative to dumping at the Ordot landfill. Smoke testing was done in Merizo to assist with locating problem areas; Harmon is another problem area.

7. Compliance / Safety

Mr. Kemp submitted his report but had nothing significant to report.

8. Human Resources – None

9. Communications / PIO

The PIO presented several articles in MV, PDN and the Marianas Business Journal. She thanked Comm. Duenas for attending the press release last week. She is working on an infomercial to be used by the GM, GMCUS, CE and other managers when doing road shows. The 2008 Annual Report is completed; the 2008 Water Quality Report is completed.

IX ANNOUNCEMENTS

1. Next CCU Meeting

The Chairman announced that the next meeting would be for GPA on August 18th. There will be a work session at 3 p.m. before the meeting relative to Veolia contract renewal.

The Quarterly incentive awards program for GPA this Friday from 11:30 – 1:30 at the Westin.


IX. ADJOURNMENT

There being no further business to bring before the Commission, the meeting was adjourned at 7:50 p.m.

llsll

bls

Attested:


SIMON A. SANCHEZ II, Chairman


GLORIA B. NELSON, Secretary