



CONSOLIDATED COMMISSION ON UTILITIES

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

GUAM POWER AUTHORITY Regular Board Meeting GPA Board Conference Room 5:00 p.m., January 12, 2010

MINUTES

I. CALL TO ORDER

The Chairman called the meeting to order at 5:20 p.m. He announced that all 5 Commissioners were present. Others in attendance:

Commissioners:

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

Executive Mgmt:

John Benavente	General Mgr., / Consolidated Utility Services (GMCUS)
Kin Flores	General Mgr., / GPA (GPAGM)
Randy Wiegand	Chief Financial Officer / GPA
Graham Botha	Staff Atty., GPA

Management & Staff:

Melinda Camacho	Engineering Mgr., / GPA
Art Perez	Communications Mgr. / PIO, GPA
Lenora Sanz	Controller / GPA Finance
Julie Quinata	Personnel Services Administrator / GPA Human Resources
Mercy Castro	Utility Services Administrator / GPA Customer Service
Pam Aguigui	Chief Budget Officer / GPA Finance
Jamie Pangelinan	Supply Mgmt. Admin. / GPA Procurement
Ron Okada	Manager / T&D
Cora Montellano	Asst. Chief Financial Officer / GPA
John Cruz	Manager / SPORD
Lou Sablan	Board Recording Secretary / GPA/GWA

Guests:

Laura Matthews	PDN
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II. APPROVAL OF MINUTES

The Minutes of September 15, 2009 was presented for approval.

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

III. GM (CUS) REPORT - None

IV. **GM REPORT / UPDATE**

The following items were not discussed.

1. System Update
2. Government Receivables
3. Administration Dept. Reports
4. System Losses
5. Fuel Inventory Update

V. **COMMUNICATIONS**

1. Public Comments - None

VI. **LEGAL COUNSEL - None**

VII. **NEW BUSINESS**

1. Resolution 2010-01: Relative to Contract for Engineering Services

This resolution was deferred.

2. Resolution 2010-02: Relative to Contract for Technical Services

This resolution was deferred.

3. Resolution 2010-03: Relative to Contract for Forecasting Services

This resolution was deferred.

4. Resolution 2010-04: Relative to Contract for Environmental Technical Svcs.

This resolution was deferred.

5. Resolution 2010-05: Relative to Technical Support for PMC Contract Mgmt.

GPA has entered into an agreement with Virchow Krause / Baker Tilly to perform a Management & Organizational Assessment (MOA) for GPA and GWA which was broken into 4 phases – overview, assessment, implementation and recommending opportunities for consolidation of common operations and services of the 2 agencies. During the assessment phase VK/BT it was determined that GPA could take advantage of funding for Smart Grids under the stimulus package that was signed into law. GPA has been notified that it will receive \$33.2Million Smart Grid Grant which 50% will be covered by the grant and 50% or \$16Million by GPA.

The CFO said when management looked at Phase III of the VK contract there seemed to be synergy related to the Smart Grid project. Some of the recommendations that came out of Phase II of the MOA was the increased of using technologies such as improved relay management, meter replacement, automated disconnects / reconnects. He said GPA is under critical deadlines to complete the Smart Grid Projects and management has determined that the Planning function of the Smart Grid falls within the scope of the Phase III activities under the MOA contract and management would like to use BK/BT to perform Smart Grid planning and reporting functions under the MOA contract. The CFO added that GPA has identified a broad scope of work for Smart Grid Planning and Phase III implementation but has not yet negotiated the final tasks and pricing.

Because of the tight deadlines to comply with ARRA grant requirements, GPA is requesting the CCU additional authority to move forward with the contract on a task by task basis until a detailed Phase III scope of work is negotiated and finalized. In resolution 2010-05, management is seeking approval to amend the contract for VK/BT and increase the contract value from \$802.8k to \$1.4Million in order to allow Phase III implementation activities to continue (inclusive of Smart Grid)

Comm. Duenas motioned to approve Resolution 2010-05 for discussion; Comm. Palomo seconded.

In discussion it was mentioned that management will seek bond financing to cover the \$16Million for Smart Grid. It was mentioned that GPA would be out \$300k if management decides not to go forward. The Commission said the fee change is high and wanted to know how they determined the fee. Management said the fee is a ball park figure and the tasks would be negotiated and management will go back to the Commission with the final figures.

Comm. Palomo asked that the title of the resolution be changed to include "fee for the management and organizational assessment"; Comm. Duenas asked that "fee" be changed to "contract amount". The Chair amended line 13 to add "common operations and services" after the word "of".

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

6. Resolution 2010-06: Relative to Smart Grid Project Mgmt. Office

This resolution was deferred.

7. Resolution 2010-07: Relative to Testing and Tuning of GPA's Electric Generators

The GM said that feeder outages caused by under frequency loads have become a source of customer complaints. GPA plans to eliminate or significantly reduce the occurrences of Under frequency Load Shedding events by improving the governor responses of Island-wide Power System generator units. Two (2) firms responded to the RFP's and the cost is beyond the GM's authority and is requesting approval.

Comm. Nelson motioned to approve Resolution 2010-07 for discussion; Comm. Duenas seconded.

In discussion Comm. Palomo noted that the GM does not need the CCU's permission to tune and test and asked that item 1 in the Resolved section be eliminated. It was mentioned that the \$400k of this RFP would be funded through operating expenses.

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

8. Resolution 2010-08: Relative to Loan for Smart Grid Program

In order for GPA to be reimbursed for expense incurred before the issuance of bonds, there needs to be a borrowing resolution in place. It starts the clock ticking as to when GPA can incur costs that would later be reimbursed through a tax-exempt bond issuance. The regulation also allows GPA to go 60 days backwards – items expensed from Nov. 12th forward would be covered. Resolution 2010-08 declares the intent to use bond proceeds to reimburse Smart Grid expenses – it is a legal formality related to tax-exempt bonds.

Comm. Nelson motioned to approve Resolution 2010-08; Comm. Duenas seconded. There was no further discussion or objection and the motion passed.

9. Resolution 2010-09: Approval to Award Contract for RFO No. 6

The CCU has authorized and PUC approved GPA to begin the procurement for residual fuel oil. GPA has issued an invitation for bids (IFB) for a three (3) year contract for the supply of Residual fuel Oil No. 6 for its requirements and plans to award the bid to the lowest most responsive & conforming bidder. Two (2) bids were received and GPA has deemed that Petrobras Singapore was the lowest and most responsive. The award to Petrobras provides a lower premium fee cost that will generate potential savings of approximately \$3.8Million per year or \$11.6Million for the 3 year contract period for the premium amount (handling fee) not the market price. The estimated supply quantities amount to approximately \$195.5Million per year.

The GM mentioned a few issues still pending - the award is subject to the finalization of the contract and to the review and approval of the PUC. In additions, there are concerns by Petrobras such as penalties on performance bonds, taxes incurred to name some. The GM is asking the CCU to enter into the contract subject to final negotiations with Petrobras and review and approval by the PUC.

On the resolution, Comm. Palomo asked to amend line 26 to insert "of the two (2) bid awards received" after the word "Whereas" to show that more than 1 bid was received. There was discussion regarding the mention of budget increase on the resolved section it was decided to delete the last Whereas and #3 of the Resolved section in its entirety.

Comm. Hara motioned to approve Resolution 2010-09; Comm. Duenas seconded. There was no further discussion or objection. The Chair called for a vote and all unanimously approved Resolution 2010-09 as amended.

There was discussion on the new law relative to the AG's approval for all procurement in excess of \$500k in advance of actual procurement. The GM said that the Manager of SPORD wanted to be proactive because it is not known how long it will take the AG to review the procurements. He said this was the rationale for listing Resolutions 01-04 on the Agenda. At the end of the discussion the CCU asked the GMCUS and the GM to approach the AG to discuss how they plan to implement the law and establish a review protocol with them. The CCU can then choose to adopt it.

10. November 2009 Financials

The CFO reported that revenues are up over the 1st 2 months last year. The net income for November is \$500k. \$32Million was collected for the month.

VIII. **OLD BUSINESS**

1. **Streetlight Update**

Melinda Camacho, Engineering Manager, reported on the meeting she had with the Mayors Council & Sen. Pangelinan. They have \$100k for relocation of street lights trying to decide the best way to spend it. GPA is giving them an estimate for relocation; in addition, GPA will finalize the streetlight mapping & show them how to use it. They are also asking GPA to break up the accounts by village so they know what each village is paying. She also mentioned that the current account is under billing the account by 1500 lights which she has to resolve. The Chairman said that GPA should bill for the shortage immediately going forward. The GM said management will finalize / clean-up the streetlight count and. The Chairman said that at the end of the day, GPA needs to bill for all the lights or turn them off.

IX. **ANNOUNCEMENTS**

1. **Next CCU Meeting: GWA – 1/26/09**

The Chairman announced that the next meeting would be for GWA on January 26th.

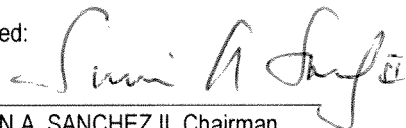
The GM announced a graduation ceremony at the UOG this Thursday, 10 a.m. at the Jesus Leon Guerrero building. 12 Managers / Supervisors will be graduating.

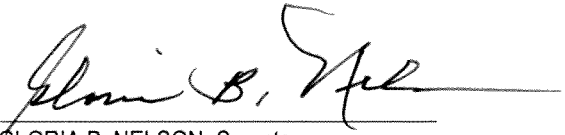
X. **ADJOURNMENT**

With no further business to bring before the Commission, the meeting was adjourned at 6:35 p.m.

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Attested:


SIMON A. SANCHEZ II, Chairman


GLORIA B. NELSON, Secretary