



CONSOLIDATED COMMISSION ON UTILITIES

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

GUAM POWER AUTHORITY Regular Board Meeting GPA Board Conference Room 5:00 p.m., November 24, 2009

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 present include:

Commissioners:

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

Executive Mgmt:

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

Management & Staff:

Melinda Camacho	Engineering Mgr., / GPA
Pam Aguigui	Chief Budget Officer / Finance, GPA
Art Perez	Communications Mgr. / PIO, GPA
Julie Quinata	Personnel Services Administrator / GPA Human Resources
Simon Camacho	Asst. Manager / T&D
Ben Mesa	Manager / PSCC
John Cruz	Manager / SPORD, GPA
Lou Sablan	Board Recording Secretary / GPA-GWA

Guests:

Cyrus Luhr	Sen. Tom Ada's Office
Ernie Galito	Guam Visitor's Bureau

II. APPROVAL OF MINUTES - None

III. GM (CUS) REPORT - None

IV. GM REPORT / UPDATE

1. System Update

This matter was tabled.

2. Government Receivables

This matter was tabled.

3. Operation Dept. Reports

This matter was tabled.

4. System Losses

This matter was tabled.

5. Fuel Inventory Update

This matter was tabled.

V. COMMUNICATIONS

1. Public Comments - None

VI. LEGAL COUNSEL - None

VII. NEW BUSINESS

1. 5-year Rate Plan

GPA has just completed a Management & Organizational Assessment conducted by Baker Tilly Virchow Krause whose main conclusion was that GPA is a lean utility that provides lean service to its ratepayers. It also indicated that one of the areas where GPA differs from highly efficient utilities is in the area of strategic planning and the implementation of such plans. GPA initiated a strategic planning process in 2006 which identified several opportunities to implementing new technologies that would lead to improved efficiencies throughout GPA but management has not been unable to implement the initiatives due to funding constraints. GPA has hired R.W. Beck to provide a liquidity study and although not due until January, preliminary results indicate that GPA maintains significantly lower cash reserves than its peer utilities and the situation is hampering the ability of the Authority to operate efficiently. Further evidence of the impact of GPA's cash shortage is GPA's inability to enter into a loan for \$16.6 Million Smart Grid grant but GPA may not be able to take advantage of the program due to its inability to receive funding for the matching portion of the loan. Management also pointed out that the most significant problem being faced by the utility is the high fuel cost; management believes it can shield customers from this impact by developing a cost effective wind program but the Authority must first improve its credit position through rate increases to take advantage of low interest rates through tax exempt financing.

To combat all these issues, management drafted a 5-year rate plan (with draft Resolution 2009-60) that calls for rate increases of 5.6% in 2011, 2.3% in 2013 and 2.8% in its Phase II rate relief. GPA wants to file this 5-year rate plan with PUC in February 2010 with an effective date of Oct. 2010. The GM said the plan shows positive net earnings and will generate \$24-\$25 Million investment in internally funded CIP's

In discussion, the Commission said the work put forth in the 5-year rate plan presentation is a good beginning but management must let the ratepayer know how the rate increases benefit them; how will it make their life easier and what things GPA can't do because of the lack of funds. Show them GPA's current CIP spending compared to CIP spending with the 5-year rate plan and show them what they will get with the increased revenues.

Comm. Duenas added that in terms of how to present this matter to PUC he recommended that GPA work with the PUC consultants and let them know that GPA performed the management audit but cannot implement the recommendations without funding. The 5-year rate plan will help GPA acquire the funds.

Comm. Palomo mentioned that the resolved section of the draft resolution does not mention any benefits to the ratepayer which is crucial to acceptance.

The Chairman referred the resolution and pointed out how management can make the 5-year rate plan more palatable by simply showing how increasing the rates will make life easier for ratepayers. He said to flush out in more detail what management wants to do and to be specific what service will be provided with the extra revenues.

The CCU asked management to rethink the Plan and be more specific because ratepayers will tolerate increases if they know how and when it will benefit them. It was mentioned that GPA has 60 days to get the 5-year rate case filed.

2. Resolution 2009-56: Cabras 1&2 PM Contract Extension

The AGMO requested the Commission to approve the 5th extension of this contract with Taiwan Electrical & Mechanical Engineering Services (TEMES); the current contract extension will expire on December 31, 2009. He said if this matter is not approved, the other option is for GPA to take over the operations themselves and he said GPA is not prepared to do so. He explained that GPA placed a stay on the Intent to Award notice to TEMES because a new procurement protest was lodged by one of the bidders. The Staff Attorney explained that the bidder filed a protest with the Office of the Public Auditor because they felt that their bid was the lowest qualified bidder; a status conference is set for 12/30. Because of this an automatic stay was put into effect and it would be prudent to affect the extension of the current contract because OPA's ruling take up to three (3) months or more. Management is asking for authority to negotiate up to 3% of the previous fees for the fixed management fees & O&M.

Comm. Duenas motioned to approve Resolution 2009-56 as presented; Comm. Nelson seconded. There was no further discussion or objection and the motion passed.

3. Resolution 2009-57: Cabras 3&4 PM Contract Extension

The GM said the Review Committee is still in the process of evaluating the current bid for the PMC of Cabras 3&4. The current contract expires on 12/31/09 and management anticipates that the bid process will not be completed until May 2010 – 5 months after the current PMC contract expires. Because of this, management is asking for a 6-month extension of the current PMC contract. They are also asking the CCU to authorize negotiations for the Monthly Fixed Management Fee and O&M not to exceed 3%. This is just to allow management some cushion since the current contract is so close to expiration.

Comm. Duenas motioned to approve the resolution as presented; Comm. Hara seconded.

There was discussion as to the rationale for the 3% increase and management said it was due to inflation.

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

4. Resolution 2009-58: Relative to GVB We Are Guam Program

The GM introduced Ernie Galito of GVB and asked the PIO, Art Perez to present Resolution 2009-58 requesting the CCU to adopt the recently launched GVB marketing campaign "We Are Guam" as part of its utility marketing for GPA and GWA. GVB launched the Guam brand initiative on 1/28/09 and the purpose of the new brand is to strengthen Guam's appeal as a unique destination, to drive tourism growth into the future, and also to attract tourists for longer periods and to foster increased spending. The new signature and other brand identity elements convey Guam's heritage, progressiveness, and commitment to its constituencies in a sophisticated approach that is both real and exciting. He said that applying the brand consistently at all public GPA/GWA public display opportunities will help build the strength of Guam as a recognized global brand.

Some of the GPA projects include artwork / murals on substations that will also support beautifications in the respective visits. He said with CCU the mural project will begin. The GM said the "We are Guam, I am Guam" logo / phrase will appear on GPA's billing statement, newsletters and others. GVB said it is prepared to do remedial touch up painting should the mural be targeted by graffiti.

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

The Chairman said that no 2 entities are fundamental to the quality of life than power and water. Joining the "We are Guam" initiative is fitting because we are grounded in Guam. The only criterion is that GPA and GWA be allowed to use the marketing phrase at their discretion. He noted a few minor changes in the resolution and broadened the title.

On the motion there was no further discussion or objection and the motion passed as amended

5. Resolution 2009-59 CCU Bylaws & Code of Conduct

This matter was tabled until the next meeting.

VIII. OLD BUSINESS

1. CP Loan Update

The CFO reported that GPA's Commercial Paper Program was insured by AMBAC and has recently been converted to a loan insured by AMBAC. Last week AMBAC's stocks dropped abruptly based on rumors of a pending bankruptcy. Cathay Bank gave GPA notice that this caused another default on GPA's loan agreement with them – the bank's policy states that if an insurer declares bankruptcy, they would like to increase the amount of cash on hand as collateral.

Cathay Bank sent GPA's credit report to their headquarters and upon review they said they wanted an enhancement – more collateral. The loan GPA is trying to obtain from ANZ local will replace this loan.

2. Military Buildup Update

The GM said management has entered into negotiations with Dept. of Defense (DoD) regarding the development of a Memorandum of Understanding (MOU). The purpose of the MOU is to develop a set of principles that will lay the foundation for providing solutions to the electric needs of DoD during the construction and post-construction phase of the military buildup. It is also a non-binding good faith commitment on the part of the Authority towards resolving issues related to the energy requirements of the military build-up. GPA expects the MOU to be finalized in January at which time management will bring it before the CCU for approval. He added that the Draft Environment Impact Statement (DEIS) is now available and being reviewed by management for the purpose of identifying any unanticipated issues related to the military buildup. Copies will be downloaded on CD's and distributed to the Commissioners.

IX. ANNOUNCEMENTS

1. Next CCU Meeting: GPA/GWA – 12/15/09

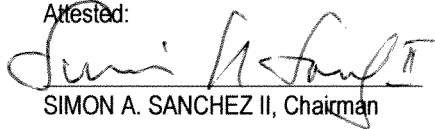
The Chairman announced that the next meeting would be on December 15th and it would be a combined power and water meeting and would be for policy only.

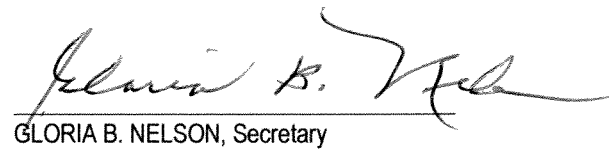
X. ADJOURNMENT

There being no further business to bring before the Commission, the meeting was adjourned at 7:20 p.m.

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Attested:


SIMON A. SANCHEZ II, Chairman


GLORIA B. NELSON, Secretary