



CONSOLIDATED COMMISSION ON UTILITIES

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

GUAM POWER AUTHORITY & GUAM WATERWORKS AUTHORITY REGULAR BOARD MEETING GPA Board Conference Room 5:00 p.m., December 9, 2008

MINUTES

I. CALL TO ORDER

Chairman Simon Sanchez called the regular meeting of Guam Power Authority and Guam Waterworks Authority to order at 5:15 p.m. He announced that 4 Commissioners were present; Comm. Blas was excused. He said this is a combined meeting of GPA and GWA and thanked all the staff for their support and presence and welcomed Comm.-elect Joey Duenas once again.

Commissioners:

Simon Sanchez	Chairman
Benigno Palomo	Vice Chair, GPA
Eloy Hara	Vice Chair, GWA
Gloria Nelson	Secretary
J. Margaret Blas	Member - Excused
Joseph (Joey) Duenas	Comm.-Elect

Executive Mgmt:

John Benavente	GMCUS
Kin Flores	GPAGM
Len Olive	GWAGM
Andy Balajadia	AGMO. GPA
Danny Santos	AGMCA
Randy Wiegand	GPA-CFO
Greg Cruz	GWA-CFO
Graham Botha	Staff Atty., GPA
Sam Taylor	Staff Atty., GWA

Management & Staff:

Rudy Manibusan	Manager, Computer Services / GPA
Paul Kemp	Asst. GM, Compliance & Safety
Mark Miller	Asst. GM, Production & Treatment
John Pangelinan	GWA
Art Perez	Communications Mgr. / PIO, GPA
Jesse Lujan	Asst. GM, Collection & Distribution
Julie Quinata	Personnel Services Administrator / Human Resources
Pam Aguigui	Chief Budget Officer / Finance
Ron Okada	T&D Manager / GPA
M. Angela Quinto	Internal Auditor / Internal Audit
Joseph Manibusan	Manager of Generation (A) / GPA
Reuben Ulloa	GPA
Lenora Sanz	Controller / Finance
Cora Montellano	Asst. Chief Financial Officer / Finance
John Cruz, Jr.	SPORD Mgr. / GPA

Guests:

Rick Unpingco	Veolia Water
Jeff Johnson	Chairman, PUC

II. **APPROVAL OF MINUTES**

The Minutes of September 9, 2008 was submitted for approval.

Comm. Nelson motioned to approve the Minutes subject to verification and written correction; Comm. Hara seconded. There was no objection and the motion passed.

III. **GM (CUS) REPORT - None**

IV. **GM REPORTS - None**

1. Water
2. Power

V. **COMMUNICATIONS - None**

1. Public Comments (2 min. per person)

VI. **LEGAL COUNSELS - None**

1. Water
2. Power

VII. **NEW BUSINESS**

1. **Water**

a. **Resolution 09-FY2009: Sinajana Phase IIA Transmission Line**

Management is requesting approval to begin construction of the Phase IIA of the Sinajana Water Transmission Line Project. The project was released for bid under GWA Project No. W01-094-EPA and the lowest responsible bid was from Asunuma Corporation for \$3.88Million. The funding comes from the United States Environmental Protection Agency (USEPA). It was mentioned that this project is part of the Stipulated Order and that DPW is aware of the project.

Comm. Nelson questioned why the anticipation of change orders; Staff Atty. Taylor said that at times with projects like these unforeseen circumstances / issues arise. He clarified that the \$500k buffer includes the GM's obligatory cap of \$250k.

Comm. Hara moved to approve the resolution; Comm. Palomo seconded. There was no further discussion or objection and the motion carried.

b. **Resolution 10-FY2009: Agat Collector System Upgrade Contract**

The GMCUS presented Resolution 10-FY2009 for CCU approval. Staff Attorney Taylor explained that the Agat Collector System is in very bad shape and numerous lines need to be replaced in order to eliminate leaks. It is a 6-mile upgrade. A Notice of Intent of Possible Award was included in the packet. Giant Construction Corp is the lowest responsible bidder; their proposed project cost is \$4.498Million.

Comm. Palomo moved to approve Resolution 10-FY2009; Comm. Nelson seconded. There was no further discussion or objection and the motion passed.

c. **Federal Infrastructure Bill**

The GMCUS said there is a proposed Stimulus Bill on Infrastructure soon to be released by the Federal Government. He would like to meet with Congresswoman Bordallo to bring her attention to Guam's infrastructure need. Currently GWA gets \$3M from USEPA and Management hopes to gain more similar funding. He said he would provide a list of needs from the Master Plan.

The Chair said focus should be given to infrastructure related to existing infrastructure as opposed to the expansion of existing infrastructure for both power and water. Chief Engineer Antrobus added that he believes the funding would be disseminated through existing allocation channels i.e. Safe Drinking Water Act, Clean Water Act Revolving Loan Fund and the like. EPA's estimate is that Guam will probably come out with \$3.5Million if it goes through existing channels. The CE said perhaps the best way to approach this is to take a piece out of it before it is dumped into these various allocations and if this is the case the best way to do this would be to support growth due to military build-up. The Chairman asked management to put their argument together and to get the letter drafted.

2. **Power**

a. **Resolution 2008-37: Credit Card Policy**

Management for power and water presented Resolution 2008-37 for approval. The CFO said that problems have surfaced relative to on-line issues or e-bill e-pay issues. There are certain purchases that are required and many times employees use their personal cards and wait to be reimbursed. Historically credit cards in GovGuam have had a bad history but the CFO said

that the policy related to the use of cards per this request have adequate controls that would prevent any abuse or misuse. The policy is very limited – most purchases would be off-island purchases and cannot be used for anything on-island with the exception of air travel. The GMCUS said that the controls would stem from the CFO's office. There would only be (1) credit card in use and Legal Counsel confirmed that there are no laws preventing the issuance of Government credit cards

Comm. Nelson moved to approve Resolution 2008-37; Comm. Hara seconded. There was no further discussion or objection and the motion passed.

b. Resolution 2008-38: LEAC

The GPAGM reported that management is recommending reducing the LEAC from .17105 kWh to .157309 kWh. He said the reasons he is recommending this reduction level is because revenue forecasts are still 2% of sales; Cabras 1&2 will be taken down for a significant overhaul – about 45 days each. This and other outages have been considered as well as other material units that have an effect on the LEAC. He said the methodology used with this forecast is the Seer Forecast method rather than the usual Morgan Stanley forward curves. The 2 estimates of fuel oils for the next 6-8 months have also been factored into the methodology. There has been significant reduction in crude oil and as a result of GPA's fuel hedging program out to a year in advance hedge losses have been factored as well. Cash positions needed for escrow deposits (while GPA waits for its stand by letter of credit facility) has also been considered.

The CFO said in the past forward curves have been the basis that GPA uses to forecast LEAC. It is a different methodology than a true forecast. In the latter a number of different variables are considered – some include economic, world and supply factors, as well as different refinery and storm information. A fuel forecast is the more accurate basis to project fuel cost and up to this point GPA has not had the opportunity to use this method. One of GPA's consultants has been sharing information that helped GPA to adopt the use of the Global Seer Forecast.

The Chairman questioned the difference from these results and the projections that management came up with in October. He said LEAC prior to December 1 was .1877 kWh. This represents a cumulative drop of 16% from .1877 to .1577 kWh. In October CCU/management said that if oil prices remained at \$75 there would be an 18% drop in February. He asked what variables have changed. If in October oil prices were at \$75 GPA could drop prices by 18%; today oil prices at \$46-\$55 should produce better than a 16% cumulative reduction. He said he is struggling to reconcile this disparity. The cumulative decrease should be higher by 4-5%. The CFO said he needs to review the numbers to find out what may have caused this to happen. It was mentioned that if GPA could do a loan and the investment agreement, it should free up cash. The GM said he is concerned about CIP's because of GPA's thin cash position.

The Chairman wants management to look back and revisit the earlier calculations of October so that he can better understand why the cumulative reduction is not greater than 16%. He said he was disappointed because he was looking at a deeper cut.

Comm. Palomo said he would like the resolution to specifically state the price reduction of oil not only in kWh but also in the related equivalent \$ per barrel. He also recommended amending the heading by replacing the word "change" to "decrease". He said he would like to see the barrel cost for fuel stated in the resolution relative to \$.17105 kWh and \$.157309 kWh respectively. He asked if this was possible and the CFO confirmed that it could be done.

Comm. Palomo motioned to approve Resolution 2008-38 as amended; Comm. Nelson seconded. There was no further discussion or objection and the motion carried.

c. MOU with Dept. of Agriculture ref Land Lease for Wind Monitoring

SPORD Manager John Cruz reported that they engaged Global Energy Concepts (GEC) to identify sites for wind monitoring towers for Wind Resource Acquisition. The project required significant assessment research which included obtaining approval from land owners to conduct a site visits. The good news is that GEC has determined that there are numerous locations on the island that are conducive to wind resource acquisition. Some are in the Cotal and Pulantat Areas as well as the Pagat Area in the North. They of course concentrated on government controlled land owned by the Dept. of Agriculture but also discovered some good parcels adjacent to government land that are privately owned. Mr. Cruz advised that the MOU is a work in progress and that no CCU action is needed at this time. The RFP's will not happen until March 09

VIII. OLD BUSINESS

1. Power

a. Standby Letter of Credit - Tabled

b. IRP Addendum

The GPAGM said there has been a significant material change at the request of the PUC. The original IRP submitted indicated that \$10Million would be needed to retrofit the TEMES CT to burn natural gas. The addendum is saying that it would make sense to retrofit TENJO & Cabras 1&2 with associated gas pipeline and infrastructure. What this means is it would not need new

unit additions to the plant but also means an additional cost of \$30Million to retool these existing plants. He mentioned 2 significant factors: 1) he recommends GPA invite a developer to bring in the gas and GPA purchase gas on a long term contractual basis from the regasification facility. 2) The issue of volume – is there enough volume of gas for only 1 plant to make it attractive for a developer to come to Guam to set up shop. The GM said that a 200-300 megawatt of capacity would be an ideal site – similar to the Dominican Republic.

The addendum is also saying that the CCU eventually should support this new modified plan because it now requires potentially another bond issue to retrofit the plants – the idea is a developer sets up a new regasification facility – but at the same GPA commits to purchase the gas and retrofit the plants and GPA buys the gas when they are done. It would take 3-4 years to permit, construct and site the new regasification facility.

The GM said no action is required at this time and a related resolution would probably be presented to the CCU for review and consideration in January.

c. Wind Study/Renewable Acquisition

Discussed in Section VII.2c above.

d. Commercial Paper Loan Update - Tabled

IX. ANNOUNCEMENTS

1. Next CCU Meeting:

The Chairman announced that the next meeting will be for GWA on January 6th and GPA on 1/20th. He said Comm.-elect Duenas will be inaugurated on January 6th.

The Chairman asked when the press release for the LEAC will be released – PIO Art Perez confirmed that it will be done Tomorrow. The Chair reiterated the LEAC adjustment and when it would be in effect – the overall reduction is 12-12.5% on the overall bill; 6.5% would be immediate and 5.34% would be in effect 2/09

Comm. Nelson recommended that GWA's Rules and Regs handbook be reviewed and updated because 1994 was the last time that it was updated.

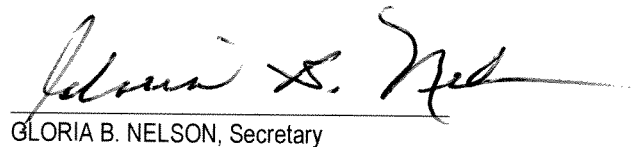
X. ADJOURNMENT

There being no further business to bring before the Commission the meeting was adjourned at 6:55 p.m.

llsl
bls

Attested:


SIMON A. SANCHEZ II, Chairman


GLORIA B. NELSON, Secretary