



# 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., March 24, 2009

### MINUTES

#### I. CALL TO ORDER

Chairman Simon Sanchez called the regular GPA meeting of the Consolidated Commission on Utilities at 5:10 p.m. He announced that 4 Commissioners were present; Comm. Nelson was still off-island. Those also present include:

##### Commissioners:

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

##### Executive Mgmt:

Kin Flores	General Mgr., / GPA (GPAGM)
Andy Balajadia	Asst. Operations Mgr., / GPA (AGMO)
Randy Wiegand	Chief Financial Officer / GPA (GPACFO)
Graham Botha	Staff Atty., GPA

##### Management & Staff:

Jesse Reyes	Procurement
Simon Camacho	Asst. Mgr T&D / GPA
Art Perez	Communications Mgr. / PIO, GPA
Ron Okada	T&D Manager / GPA
Melinda Camacho	Mgr. of Engineering / GPA
Lenora Sanz	Controller / Finance
Cora Montellano	Asst. Chief Financial Officer / GPA
Rudy Manibusan	Mgr, Computer Services
Julie Quinata	Personnel Services Administrator / Human Resources

##### Guests:

Cyrus Luhr	Sen. Ada's Office
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#### II. APPROVAL OF MINUTES

The Minutes of February 24, 2009 was presented for approval.

Comm. Palomo moved to approve the Minutes of February 24<sup>th</sup> subject to verification and written correction; Comm. Duenas seconded. There was no further discussion or objection and the motion passed.

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

#### IV. GM REPORT / UPDATE

##### 1. System Update

The AGMO gave a summary of overhauls – Cabras 4 was taken down and will be back on-line in 4 days. The PMC for Cabras is currently under re-bid. There was discussion on the cause of the OPA's decision to do the re-bid; the AGMO explained that there was an opportunity to save \$6Million The AGMO explained that there was a portion of the bid with prices that were left undefined and management decided not to accept the bid. The bid is going to be announced next week.

## **2. Government Receivables**

DPS made their March payment and another billing is due April 1<sup>st</sup>. The SL appropriation runs out in June / July. The Commission asked management to send them another letter to DPW and the Legislature to identify when the appropriation will run out and mention that the public auditor has raised the issue of the non-payment of the interest and give them a specific number needed to fund the under appropriation. He added to send a copy of the letter to the media.

## **3. Administration Dept. Reports**

Staff reports were reviewed but not discussed

## **4. System Losses – No discussion**

## **5. Fuel Inventory Update – No discussion**

# **V. COMMUNICATIONS**

## **1. Public Comments (2 min. per person)**

Letter from Speaker Won Pat - The Chairman referred to a letter received by the Speaker reminding the CCU of law requiring the CCU to perform evaluation of agency heads and to post the results on the GPA / CCU website. He said the last performance review for senior managers was calendar year 2007. HR Personnel Administrator said that under the Alan Searle CTP process there is a manager's performance management form but will not be ready until April – hopefully by the next Board meeting. She also confirmed that currently, HR is using GPA's existing personnel evaluation forms for current CTP review.

The Chairman said he wanted to plant the seed and to set some time in April for discussion on how to review the senior managers & which of the evaluation forms would be most beneficial. He said those that will be reviewed are the GMCUS, the GM's and the CFO's and the attorney's. Last time, CCU used Dr. Santos' approach where there was the CCU evaluation along with peer evaluations adding that there really is no formal evaluation process in place for senior management. With the implementation of the CTP, there is a review process and the Chairman believes that the evaluations need to be standardized. It was discussed that the CTP evaluations are yearly – usually around Nov-Dec and any change in pay takes affect in January. The law specifies that senior managers are reviewed 6 months after being hired and then another evaluation is performed a year later.

The Chairman said between now and the April meeting, he will retrieve Dr. Santos' evaluation formats and asked the HR personnel administrator to forward the "draft" Alan Searle format to him. He will send both formats to the CCU body for their review in preparation for discussion sometime in April as to the official format to be implemented, and the setting of evaluation protocol i.e. timing and frequency etc. The positions to be reviewed are the GMCUS, (2) GM's, (2) CFO's, (2) SA's. The Staff Attorney added that while it is not a management position, the Board Secretary was also hired by the CCU and should be included in the evaluation process.

The Chairman asked the Board Secretary to place this matter on the Agenda for the first meeting in April - the GWA meeting.

# **VI. LEGAL COUNSEL – No discussion**

# **VII. NEW BUSINESS**

## **1. Resolution 2009-10: Approval of Authority Policy on Audits**

Comm. Duenas reported that this resolution is relative to adopting a revised Authority Policy (AP) for the operation of GPA's Internal Audit (IA) section. There is a current policy in place but this resolution updates it. The pertinent section is the resolved section. He asked CCU to approve this one and to rescind the previous AP's in place adding that Resolution 2003-10 and 2003-28 are superseded by 2009-10. The new change is the reporting protocol. This policy stipulates that the IA reports to GM first and then if GM feels the Audit Committee (AC) needs to get involved he will bring matter to the AC committee.

The GM said another change is the RPS which is currently under auspices of IA. It is the AC's intent to schedule bi-annual meetings with the CCU and present information reports to the CCU as a whole. The first official GPAAC business meeting is scheduled for tomorrow at 3 p.m. where they will officially adopt an IA Standard Operating Procedure (SOP).

Comm. Duenas motioned to approve Resolution 2009-10; Comm. Hara seconded. There was no further question or comments and the motion passed.

## **2. Resolution 2009-11: Approval to Submit Renewable Acquisition Bid Docs to PUC**

Management requested the Commission to approve its bid documents for renewable energy resources. The documents were developed with the help of consultants Winzler and Kelly and R.W. Beck. The bid would allow the procurement of various types of alternative technologies such as biomass, hydro, geothermal, solar wind and others. The renewable

resource goal is to generate at minimum 40MW in Phase I and another 40MW in Phase II. It was mentioned that all projects must be commissioned within 36 months of entering a contract with GPA and that minimum annual energy production guarantees are required with penalties for non-performance. It also requires the bidder to be responsible for all costs related to system integration study and recommendations from the study for project interconnection. Phase I of the bid will be without wind data and is strictly an energy contract. Phase II will include wind data. It was anticipated that bid docs will be released on 4/23/09 with contract signing around 10/19/09. It was also mentioned that RW Beck will place ads in trade magazines to solicit vendor interest. The contract will be for a minimum of 10 years with an option to renew built-in. It is management's hope for CCU to approve filing of docs with PUC and after getting their approval allow the GM to release the bid. It was mentioned that a bid bond and performance bond is required with penalties and the contract cannot be sold without GPA's approval.

Comm. Duenas moved to approve Resolution 2009-11; Comm. Hara seconded.

In discussion Comm. Palomo said he would like the resolved section to be more specific by including names of consultants Winzler and Kelly and RW Beck and the date of their consulting contract with GPA – March 24, 2009.

On the motion, the Commission moved to approve Resolution 2009-11 as amended. There was no further discussion or objection and the motion passed.

#### **6. Resolution 2009-13: Bank of Hawaii Corporate Resolution**

Management asked the Commission for authorization to modify its letter of credit arrangement with the Bank of Hawaii. In 2003 the bank advised GPA that the terms of the letters of credit would have to change from an irrevocable letter of credit facility to a prepaid facility. Bank of Hawaii has now advised that GPA can again utilize an irrevocable letter of credit and place the amount of the purchase in a GPA interest bearing account at the Bank and retain the benefits of interest earnings for GPA.

Comm. Duenas moved to approve the Resolution; Comm. Palomo seconded.

In discussion Comm. Duenas mentioned to clean-up the template from the Bank of Hawaii that mentions that GPA is a for profit organization - GPA is a not-for-profit public corporation.

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

#### **3. January 2009 Financials**

The January 2009 Financials were presented but not discussed.

#### **4. Emergency LEAC Filing**

The CFO said in December when preparing the February LEAC filing to the PUC, fuel prices had dropped dramatically over a short period of time. GPA's cash was tied up with margin calls and GPA could not afford fuel prices if there were a rebound from current prices. GPA petitioned for a 20% margin on current prices to ensure adequate cash flow. The CCU determined that if GPA was going to include a 20% margin for cash fluctuations that GPA should return to the CCU for a mid-period review to determine if the additional cash was still needed. This requirement was included in GPA's petition to the PUC. The CFO then cited some liquidity factors – GPA will not meet its working capital requirement in FY09; it will be required to return any excess LEAC cash beginning 8/1/09 and GPA's cash projections are showing that a LEAC reduction could be passed on to ratepayers while maintaining some reserve in the working capital fund. He pointed out that management has created numerous LEAC spreadsheets in the last 6 months and the tasks of tying and triuing is very challenging. Management continues to check and re-verify the numbers for accuracy. Also, the market price of fuel has notched up in the last few days and this latest development has yet to be incorporated into the analysis.

Based on these findings, the CFO presented 2 Options for the Emergency LEAC filing. Option 1 is no mid-term change and to keep status quo through February and May 09 and then make a drastic reduction (36.81%) in August 09 followed by a smaller reduction (5.53%) in February 2010. Option 2 is to maintain status quo through February 09 and then have multiple reductions in LEAC in May 09 (13.44%), August 09 (15.52%) and February 2010 (18.37%). This is all based on the condition that fuel prices continue its current trend.

The Commission asked management for its recommendation and the GM responded that he can go either way – Option 1 is advantageous to GPA and Option 2 is better for the ratepayer. After more discussion the consensus was to approve Option 2 – a planned 2-step reduction in LEAC. This translates to a 9% (\$21 overall) reduction on the total bill. It was mentioned that there is no resolution prepared for approval now but CFO said he could draft one and do a poll vote if needed.

Comm. Duenas moved to authorize management to petition the PUC for a recommendation for a mid-term LEAC reduction from 15.763 cents to 13.645 cents per kWh in May; Comm. Hara seconded. On the motion, there was no further discussion or objection and the motion passed.

VIII. **OLD BUSINESS**

1. **Resolution 2009-12: Management Organizational Audit Phase 2**

On behalf of management, Comm. Duenas explained that the Virchow Krause (VK) has completed its 1<sup>st</sup> of 4 phase steps for GPA's Management and Assessment Audit. The Phase I report conference was on January 13, 2009 and was a joint meeting with the Commission and the PUC. Under the original plan, Phase II was determined to be the period during which most critical activities would take place. The CCU previously authorized GPA to execute a contract with VK to conduct Phase I and II with the caveat that Phase II costs were only an estimate and was missing a critical component - a productivity comparison which had been required by PUC. Resolution 2009-12 seeks CCU approval to move forward with the Phase II scope of work provided by VK.

Comm. Duenas motioned to approve Resolution 2009-12; Comm. Palomo seconded.

In discussion it was mentioned that GPA cannot get its base rates without this study and that the timeline for completion in sometime in the summer, possibly May 31, 2009.

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

IX. **ANNOUNCEMENTS**

1. **Next CCU Meeting**

The Chairman announced that due to Holy Week, (the first week of April), the next CCU meeting would be for water on April 14<sup>th</sup> and Power on April 28<sup>th</sup>.

The GM reminded everyone about the Chamber presentation on Friday this week; management will follow-up re venue.


X. **ADJOURNMENT**

There was no further business to bring before the Commission and the meeting adjourned at 8:10 p.m.

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Attested:

  
SIMON A. SANCHEZ II, Chairman

  
GLORIA B. NELSON, Secretary