



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., April 28, 2009

MINUTES

I. CALL TO ORDER

Chairman Simon Sanchez called the regular GPA meeting of the Consolidated Commission on Utilities at 5:15 p.m. He announced that 3 Commissioners were present; Comm. Hara is running late and Comm. Nelson was still off-island. Those also present include:

Commissioners:

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

Executive Mgmt:

Kin Flores	General Mgr., / GPA (GPAGM)
John Cruz	Asst. Operations Mgr., / GPA (AGMO, Acting)
Randy Wiegand	Chief Financial Officer / GPA (GPACFO)
Danny Santos	Asst. GM, Consolidated Administration
Graham Botha	Staff Atty., GPA

Management & Staff:

Art Perez	Communications Mgr. / PIO, GPA
Ron Okada	T&D Manager / GPA
Richard Bersamin	Asst. Mgr, Customer Svc. / GPA
Joseph Manibusan	Asst. Mgr., Generation / GPA
Melinda Camacho	Mgr. of Engineering / GPA
Pam Aguigui	Chief Budget Officer / GPA
Angela Quinto	Internal Auditor / GPA
Lenora Sanz	Controller / Finance
Tom Borja	Facilities Mgr. / GPA
Julie Quinata	Personnel Services Administrator / HR, GPA
Herbert Pinaula	Fleet Support Svcs. Manager / Transportation, GPA

Guests:

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

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

Comm. Duenas moved to approve the Minutes; Comm. Palomo seconded. There was no objection or discussion and the motion carried.

III. GM (CUS) REPORT - None

IV. GM REPORT / UPDATE

1. System Update

The GM reported that repairs on Yigo CT is finally completed; the unit is operational after many years.

2. Government Receivables

The only exceptions noted was DOE. They are subject to immediate disconnection; they said that they would try to get a payment in this week. The Chairman said that they need to know that payment is needed otherwise they will be disconnected on Friday.

3. Operation Dept. Reports

Transportation and Transmission and Distribution reports were submitted but not discussed.

4. System Losses

This matter was not discussed.

5. Fuel Inventory Update

This matter was not discussed.

V. COMMUNICATIONS

1. Public Comments - NONE

VI. LEGAL COUNSEL

VII. NEW BUSINESS

1. Resolution 2009-15: Approval of GPA/GWA Wind Tower Lease

Management requested the Commission for approval to lease GWA land in 2 separate sites located in Yona to install a wind testing tower and related equipment. The tower will collect wind data for GPA's Integrated Resource Program. The initial term of the lease is April 1, 2009 to March 31, 2012 and may be extended for an additional five year period. GPA management considers the lease to be beneficial to the best interest of GPA and its ratepayers.

Comm. Palomo moved to approve Resolution 2009-15; Comm. Duenas seconded.

In discussion Comm. Palomo wanted to confirm who owned the land and Staff Atty. Botha confirmed that the land is owned by GWA. It was also clarified that GWA was in consensus and willing to enter into the agreement with GPA.

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

2. Resolution 2009-16: Approval of GPA/GWA MOU for Services Rendered

Management presented Resolution 2009-16 asking approval for a new MOU between GPA and GWA. The last MOU was executed in 2003 and has now expired. The resolution stated that the CCU has directed the GMCUS to explore and make recommendations as to the eventual consolidation of GPA and GWA. In so doing a legal structure was developed (MOU) under which resources can be provided back and forth between the 2 utilities. Under the initial MOU, GWA has struggled to repay GPA for resources which were provided at the direction of the GMCUS – totaling \$1.4Million. The new MOU under Resolution 2009-16 would allow GWA a 4-year repayment period and also stated that GWA would pledge to remain current on any payments for resource provision in the future and in addition sets forth some protocol requirements for future resource sharing.

Comm. Duenas motioned to approve Resolution 2009-16 for discussion purposes; Comm. Palomo seconded.

In discussion, it was mentioned that GPA's external Auditors are requesting that a stronger document be drafted to address the outstanding amounts due by GWA to GPA for services rendered. Also GWA's CFO and Staff Attorney had some concerns / was not in agreement about the total amount being billed. The Chairman said that it was not prudent to approve the resolution without mutual understanding and consensus by both GPA and GWA. In addition the Chairman said that it has been 2 years since the past GM fo GWA has left and this matter is only being addressed now; he said GPA waited too long and as a result now impacts its Audit. He asked that the matter be tabled and directed management to work together with GPA to reconcile / agree on the services / amounts due and to bring the matter back to the CCU for resolution if needed. He said he would like the matter placed on the Agenda at the May GWA meeting and all parties – both GPA and GWA should be present.

Comm. Duenas withdrew his motion and the matter was tabled.

3. Resolution 2009-17: FY09 Budget Amendment

In Resolution 2009-17 management requested the Commission approval to amend its FY09 budget to reflect the recent significant reduction in fuel costs. GPA's working capital fund requirement set forth in its bond indenture agreement is based on a formula which is keyed off of GPA's operating budget. Since the adoption of the budget there has been a dramatic decrease in the world wide price of fuel and the actual cost of fuel to be borne by GPA is expected to be significantly lower than the original budget. Management has determined that a substantial reduction in its working capital requirement can be achieved by amending its budget to reflect this reduced fuel cost. Management requested that the FY09 budget be amended to reflect a reduction of \$58Million in fuel cost.

Comm. Duenas motioned to approve Resolution 2009-17; Comm. Palomo seconded. There was no further discussion or objection and the motion passed.

4. Resolution 2009-18: Cylinder Oil Contract

Resolution 2009-18 was presented for approval asking for authorization to petition the Guam Public Utilities Commission (PUC) for their approval to issue an Invitation for Bid (IFB) to procure cylinder oil. GPA's Cabras 3&4, slow speed diesel units cannot operate without cylinder oil. The current cylinder oil contract will expire on September 30, 2009. The cumulative cost of the present contract through March of the current fiscal year is \$4.9Million and management's calculations show that the next contract will not only exceed the General Manager's obligating authority of \$250K but will also exceed the \$1.5Million procurement protocol threshold set forth by the PUC. GPA is required to seek authorization for this procurement from the PUC.

Comm. Duenas moved to approve Resolution 2009-18; Comm. Palomo seconded. In discussion, Comm. Palomo asked that the acronym IFB on line 41 be spelled out – Invitation for Bid. There was no objection or further discussion and the resolution was passed as amended.

5. Resolution 2009-19: Approval of Contract to Upgrade Fire / Smoke Alarm at Macheche CT

Management presented 2009-19 for approval. In it, GPA stated that it desires to upgrade the existing Macheche CT Power Plant Fire Protection System to be in compliance with the latest edition of the National Fire Protection Association's codes and requirements as well as the insurance risk survey report. An Invitation for Bid (IFB) was properly announced for the construction of the upgrade. GPA's Evaluation Committee completed study and determined GEMCCO to be the lowest, responsible and responsive bidder. Management has determined that revenue funds would be used to fund this project with expected cost of \$488K.

Comm. Duenas moved to approve Resolution 2009-19; Comm. Palomo seconded. There was no further discussion or objection and the motion passed.

6. February 2009 Financials

The CFO reported a \$.6million net loss for February. The total kWh sales for the month 9.41% less than projected and non-fuel revenues were \$1.1 Million less than projected. O&M expenses were \$3.7Million, \$.4Million less than projected. Other expenses such as interest expense, IPP costs totaled \$4.6Million which was \$.2Million more than projected. There are no other significant departures from the budget.

VIII. OLD BUSINESS

1. \$20Million Loan Update

The CFO reported that the CCU authorized management to close the deal with Cathay Bank. AMBAC made some last minute changes which caused postponement of closing. The week before last GPA was later advised that AMBAC's credit rating was further downgraded from BBB to junk bond status. This latest development immediately placed GPA again in default status with corresponding high interest rate of 15%. The Chairman commented that management should approach AMBAC to see if they could help GPA with this dilemma since it is due to their status that GPA is forced into this higher interest rate.

The CFO asked Cathay if there was anyway the interest rate could be minimized. Cathay proposed that if GPA could increase its deposit at Cathay Bank that they would consider lowering the interest rate to prime plus 5% (3.25 + 5%) or 8.25%. The AMBAC attorney wanted some documentation putting forth the agreement and to include the provision that the additional funds cannot be collateralized no matter what happens to the loan.

It was mentioned that an RFP to take out the Cathay Bank loan was given to GEDCA last week. It asks for a 5-year amortization and hopefully will be at 7% interest. The CFO reported that ANZ Bank is interested – their specialty is government loans.

There was discussion on Streetlights. The Chairman asked when the current budget will run out – management said May 1st. The problem will begin in June when the May billing does not get paid; if this is not paid by mid-July the lights may need to be disconnected / taken down. The Chairman said that he and Sen. Ada has had discussions and the Senator is interested to know this information. Comm. Palomo said he does not want to turn off streetlights but the only way that this matter will sink into people's mind is to turn off the streetlights. Everyone was reminded that GPA at one point allowed this billing to reach \$14Million and the CCU will not allow this to happen again.

There was also discussion on the street lighting standards; the Chairman said that somebody needs to look at this and develop the standards. DPW is not going to do it and so it's up to GPA to develop it. Comm. Duenas recommended that management ask GHURA for their lighting standard as another means to compare in developing GPA's lighting standards.

IX. **ANNOUNCEMENTS**

1. **Next CCU Meeting: GWA: 5/12; GPA: 5/26**

The Chairman announced that the next CCU meeting would be for GWA on May 12th and GPA on May 26th.


X. **ADJOURNMENT**

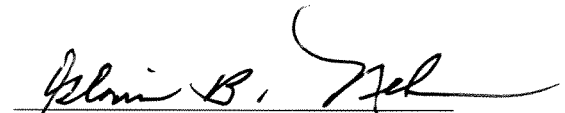
There being no other business to bring before the Commission, the Chairman adjourned the meeting at 7 p.m.

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Attested:


SIMON A. SANCHEZ II, Chairman


GLORIA B. NELSON, Secretary