



# CONSOLIDATED COMMISSION ON UTILITIES

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

## GUAM WATERWORKS AUTHORITY REGULAR BOARD MEETING

*GPA Board Conference Room*  
5:00 p.m., May 20, 2008

### MINUTES

#### I. CALL TO ORDER

Chairman Sanchez called the meeting to order at 5:10 p.m. He announced that (4) Commissioners were present. Comm. Hara was excused; he was off-island. Those in attendance included:

##### Commissioners:

Simon Sanchez	Chairman
Benigno Palomo	Vice-Chairman - GPA
Gloria Nelson	CCU Secretary
J. Margaret Blas	Member

##### Executive Management:

John Benavente	GM, Consolidated Utility Services (GMCUS)
Kin Flores	GM, Guam Power Authority (GPAGM)
Greg Cruz	Chief Financial Officer, GWA (CFOGWA)
Randy Wiegand	Chief Financial Officer, GPA (CFOGPA)
Don Antrobus	Chief Engineer (CE)

##### Legal Counsel:

Sam Taylor	GWA Staff Attorney (SAGWA)
Graham Botha	GPA Staff Attorney (SAGPA)

##### Management & Staff:

Bernie Sadler	Sewer Plant Supv./Production & Treatment
Jesse Lujan	Collection / Distribution, GWA
Gilda Mafnas	Controller, GWA
Jaclyn Taisacan	Customer Service, GWA
Lenora Sanz	Controller, GPA
Mark Miller	Asst. GM, Production & Treatment (AGMPT)
Lisa Agustin	RPU, GWA
Paul Kemp	Asst. GM. Compliance/Safety (AGMCS)

##### Guest

Jesse Palican	Representative, Mayor's Council of Guam
Kevin Patrick	Veolia
Rick Unpingco	Veolia
Phil Roberto	Representative, Sen. Jim Espaldon

#### II. APPROVAL OF MINUTES

The Minutes of February 19, 2008 and March 25, 2008 were presented for approval.

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

10/7/08 - Approved subject to verification & written correction

III. **GM (CUS) REPORT**

IV. **COMMUNICATIONS**

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

**Mayor Palican** – The Mayor arrived after the SL matter was discussed. The Chairman briefed the Mayor on the CCU discussion relative to the Mayor's Council request to delay the SL disconnection and the rationale behind the CCU's decision to continue forward with the disconnections. Comm. Nelson asked the Mayor to ask the Mayor's Council to approach the Senators to discuss and resolve the funding for the SL arrearage.

V. **NEW BUSINESS**

1. **GPA LEAC – Resolution 2008-14**

The GPAGM stated that GPA management held a working session earlier today to update the Commission on the status of the LEAC. He said that management has prepared a draft resolution on the LEAC increase and summarized what GPA is petitioning to the PUC. Management recommended that the LEAC rate be increased to .1729 cents per kWh to be effective June 1<sup>st</sup>. He said this includes a \$5.3 Million fuel inventory amount. The forecasted projection for inventory is driving the cost for this request. The initial forecast for the fuel inventory, a cash requirement, was \$5.3 million and has now tripled to \$16million. He said management's proposal is to implement the LEAC on 6/1/08 accommodating a \$5.3million fuel inventory increase effective 8/1/08 and to also to recover in the first month or so an under-recovery of \$4.3million. Also recommended in the earlier working session is to include the difference in the fuel inventory of about \$11million to 9/30/08 to be amortized in 2 LEAC periods effective 6/1/08. Rate schedules for both residential and commercial classes (that were presented at the working session) were provided. The GM added that the bottom line is – if nothing is done there won't be enough cash to pay for the June shipment; this will affect GPA's letter of credit facility to secure the next shipment for July; GPA will utilize inventory through the month of July and by month's end, GPA will run out of fuel. He said this is a crisis situation and this result of the emergency request to the PUC. The GM also said that the normal LEAC request is scheduled for June 15<sup>th</sup>, for an 8/1/08 implementation but this has been accelerated because of the recent breaking prices of fuel – topped at \$127 per barrel. Only 14 months ago this price was only \$40 per barrel and today GPA is paying \$90 per barrel. Based on these trends, projections are showing that this price will reach a little over \$100 per barrel through the summer and traders / experts are saying this may even hit \$150.

**Comm. Palomo moved the approval of Resolution 2008-14 for discussion purposes. The resolution authorizes GPA management to petition PUC for a change in the LEAC. Comm. Blas seconded.**

Comm. Palomo said the prices for fuel just keep escalating. In 2000 the cost per barrel was less than \$30 per barrel and now it is up to \$90 per barrel. The market price today is about \$127 per barrel. Management is telling the Commission that we are in a crisis situation and if the Commission fails to act, the island will be faced with darkness. He said this is a very unpleasant but necessary resolution and asked the Commission to support his motion to approve Resolution 2008-14. He added that if PUC votes to increase the LEAC then power rates will go up again and management must do their part to inform the public to start conserving and implement a more energy efficient attitude. The GM confirmed that a draft press release has been prepared which management is prepared to release dependent on CCU action tonight.

Comm. Nelson said the Commission has heard enough through the earlier work sessions and again now. She feels it is not necessary to belabor the matter unless the Commission needs more specifics. In her opinion it is not necessary to go into more detail; management has presented sufficient evidence and information to allow the Commission to make an informed decision.

The GM said that if this is approved the fuel portion of consumers' bills represents 70% of the total bill. For a 1,000 kWh it is an increase of about \$22.90 per month. The Chairman reiterated that this increase will impact consumers with a 10% increase on the total bill and push the fuel portion of the bill to 70%.

Comm. Blas said that after the working session and managements presentations, there is no way to avert this crisis and the Commission must adopt the resolution because not to do so would be imprudent.

The Chairman said it is a damned if you do and damned if you don't kind of situation that we are in and both management and the Commission really has no choice but to approve the resolution but he recommended some improvement on the language. On line 21 to specifically state that GPA will not have sufficient cash to pay for June's fuel shipment and GPA will deplete its reserves by July if nothing is done; on line 17, change the pricing to reflect price per barrel rather than metric tons; on line 18 reflect that the last increase was in March 08; to add that the price has increased from \$75 per barrel to \$90 per barrel in the last 2 months; to include language that addresses efficiency at 98%, and that market prices has created a crisis situation for GPA and if nothing is done reserve fuel would be depleted by the end of July; add verbiage to note that despite the rising cost of fuel, kilowatt hour sales are up, demand has not reduced and GPA continues to buy 250,000 barrels per month to meet the demand and maintain reserve levels.

The Chairman once again reiterated that this proposal would result in a 10% increase in a typical bill and would be on top of the base rate adjustment that would occur on June 1<sup>st</sup> if the streetlights arrears remain unpaid. The projected cost on both adjustments would represent a 12-13% increase to a typical bill effective June 1<sup>st</sup>.

**On the motion, to approve Resolution 2000-14 as amended, there were no further discussion or objection and the motion passed.**

## **2. Wastewater System Limitations**

Julie Shane, Supervising Engineer, presented a power point presentation to help identify GWA's sewer capacity limitation area (copy in Master File). Management said some problem areas were identified in the WRMP and programmed for upgrade over several years, some areas are newly identified problems and are under investigation to determine the extent. It was mentioned that sewer capacity problems are being exacerbated by the current rapid rate of development.

The presentation was very detailed – with the aid of a map, Ms. Shane pointed out critical areas using colored dotted and solid lines to identify areas with no sewer capacity or limited sewer capacity. It also showed wastewater flow by village groups, to which treatment plant the wastewater is channeled, and the key trouble issues related to each of the specific areas.

Some major areas mentioned include:

- Tamuning to Agana – during heavy rains, Marine Corp Dr. (MCD) sometimes overflows. The Talo Verde and Jonestown Condos are likely to cause frequent overflow into MCD. She said that cleaning may add capacity for those 2 developments but any additional projects would likely cause frequent sustained sewage overflow onto MCD. It was mentioned that a full engineering evaluation needs to be made; an assessment is in progress.
- Yona to Agana – sewage from Yona and Mangilao all flow down Rte 4 to the new Chaot pump station; when the 2 pumps turn on, the manhole at McDonalds overflows. This area contributes to a surcharging in Agana.

Some actions that GWA has / will undertake moving forward include:

- The continued use of its CCTV camera wherever possible to assess the area to see if anything can be done to alleviate or improve each situation
- Assessing relief sewer on Rte 4 to determine the scope of work needed
- Assessing of the interceptor on Rte 1
- Assessing the efficiency of the Agana Main Sewer Pump Station and complete its structural repairs
- Application for federal grants and loans
- Bring issues to the attention of USEPA to validate priorities

Developers with ongoing or planned projects have come forward to offer their assistance. They include:

- A consortium working to address issues in Tumon
- A Nimitz Hill developer looking into upgrades of Asan and Piti Sewage Pump Station, force mains and gravity lines
- A Yona developer considering repairs to Rte 4 relief sewer

GWA has a responsibility to the island to ensure that the sewage collection and treatment systems protect both the public health and the environment as well as support economic development. Management is heavily involved in finding solutions to infrastructure issues, but the sewer system is overstressed and no funds are currently programmed to relieve this situation.

GWA's System Development Charge will spread these charges equitably among all new developments based on volume generated. It will generate about \$7Million per year in 3 years there will be enough funds to borrow against. The SDC is the fastest way to get big bucks.

The area with the biggest constraint is north east of the Agana Sewage Treatment Plant to Harmon and Tamuning. GWA is telling developers now that GWA does not have the capacity. Management projects that it will take \$25 -\$35 million to address the central Guam wastewater capacity problem.

There was discussion on a possible moratorium. The public will be advised that major projects north east of the Agana Treatment Plant to Tamuning, Tumon, Harmon will no longer be approved for connection to the island wastewater sewage system. Request for individual residences will be considered on a case by case basis. The Chairman advised management to tell the public and to be very clear what areas are affected and the criteria, if any.

VI. **OLD BUSINESS**

1. **Streetlight Disconnections**

The Chairman briefed the Commission that he, Comms. Blas and Hara attended a recent meeting of the Mayor's Council and they are requesting that the CCU postpone streetlight disconnections until after the school year. It was decided to bring this back to the Commission for further consideration.

The GM reported that currently 365 lights have been already removed. Management has assured the mayors that GPA will not touch school compounds, bus stops and critical areas in highways like blind curves. There are still streetlights out there that are excessive or unnecessary.

The Chair commented that if the CCU postpones the disconnections, in 2 weeks there would be 4% fewer lights and may not even be noticeable. The government can only afford to pay for 9,000 lights under their current budget and there has been no movement by anyone to come up with the money to pay the arrears. Comm. Palomo says that he would like to keep all the streetlights on; the problem is financing and there is no remedy proposed by the government. The CCU cannot solve this financial problem. Comm. Nelson said that when an individual does not pay their bill they become delinquent and if they become delinquent by 45 days, they get disconnected. The government hasn't paid their SL bill for 7 years and they have not been disconnected until today.

The Chairman said that in considering the mayor's request and in an absence of any movement on a solution by the government, it does not make any sense to change the Commission's decision. It was decided to stay the course. The number of streetlight is a very small percentage and critical areas like bus stops, strategic corners etc. will not be touched.

2. **Revenue Bond Re-allocation**

This matter was table.

3. **Resolution 15-FY2008: Change Order #5 for the Hagåtña Sewer Treatment Plant Refurbishment Project**

Staff Attorney Taylor presented Resolution 15-FY2008 for the change order no.5 for the Hagatna Sewer Treatment Plant. He explained that it took awhile for the pump that was ordered to arrive and the project was delayed for a year. As a result the contractor had an increase in cost in labor / materials. He pointed out that to support the resolution, he attached a letter from the Supervising Engineer explaining the delay as well as a letter from the Chief Engineer detailing the increased cost. He also mentioned that the Hagatna STP refurbishment is a Stipulated Order project.

**Comm. Nelson motioned to approve Resolution 15-FY2008 for discussion. Comm. Blas seconded.**

Comm. Nelson asked to include the value of the change order - \$170k in the resolved section, line 1 and the Chairman said to add another whereas to note that this project is a Stipulated Order project.

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

VII. **STAFF REPORTS**

1. **Legal – None**

2. **Human Resources**

The GMCUS gave an update on the status of the GM search. There were a total of 3 applicants. The CCU already interviewed 1 and the other 2 will be scheduled shortly. The engineer search is being handled by the Chief Engineer and he reported that he is still in the interview process with the candidates. It was mentioned that management will also approach the Dept. of Interior for some funding for the engineers. The GMCUS mentioned that GWA will have a booth at the AWWA Conference and GWA will also conduct their engineer search there.

3. **Compliance/Safety**

Paul Kemp, Asst.GM for Compliance/Safety (AGMCS), reported that Mike Lee from EPA inspected the Sta. Rita valve (that keeps the chlorinated water from infiltrating the impound); the crew installed it and got it running; GWA only needs to send EPA a formal updated report. EPA was on island the last 2 weeks and the Chair asked the AGMCS his perspective of their visit. He responded that it went well and credited the Chief Engineer for his part in responding to their concerns. The AGMCS believes that EPA seems more understanding relative to the issues.

Relative to fines, the AGMCS said he is pretty satisfied that for now things are under control and credited the CE and other management and staff for their communication with EPA to keep them constantly updated which has been a real help.

4. **Chief Engineer**

Don Antrobus, Chief Engineer (CE) said that thanks to the PIO, he would be writing a couple of articles for the Marianas Business Journal over the next couple of months. The first article would cover fats, oils and grease; the next one would be a discussion of secondary treatment. He asked if the Commission needed to preview the articles prior to its release – relative to the opinions in the write-up. The Chair said that as long as the CE states that his comments are his opinions no review is necessary. In addition, the Chairman said that while the proposed articles are good topics, the more

concerning issue right now for businesses is the moratorium and encouraged the CE / PIO to make that one of the first topics. The CE said he would see what he could do on the matter. The Chair thinks it is urgent to get the word out.

The CE reported on Sta. Rita Springs; the argument that management has been making is that this project had been completed, satisfying the STIP requirements without having finished the spring impound and now EPA wants GWA to illustrate how we can operate it without the impound. The functionality of the valve that was installed allows the process and Mike Lee, EPA, witnessed that today. RE the GWA tank inspections - the solicitation has been released and proposals will be evaluated and will be awarded sometime in June. The funding that is available to do the work is \$500k and there is going to be a need for additional funding for repairs once they've been identified after inspections. Management would like to get a second contractor on board to parallel the inspector so that they can do the minor repairs necessary immediately. Re Sinajana Transmission Line Project – the work is complete on Rte 4; another sub piece of this project would be bid out while the design issues are being finalized. Re Outfall project – the drill stem snapped last week that left a 54" boring apparatus about ½ down (1,000 ft) and since that period of time, they've been trying to recover and will add delays to the completion of the project; EPA has already been updated on the matter. Re the Agana Main Pump Station – the work is progressing now and should be completed in June. Re Old Agat sewer line repair project – it has been re-bid; the numbers are still a bit higher than we have to award the primary piece; discussions with EPA are ongoing relative to allocating the FY2008/09 set asides toward this project so that it can move forward. Re Mangilao tank repair – the replacement project is well underway. The demolition of the old tank has been completed and the design work is being finalized.

#### **5. Asst. GM Consolidated Administration**

The AGMCA's report was given by Lisa San Agustin. She reported that the estimated billings are down to 107 out of 936 in January. They are working of managing this level which fluctuates as the customers are billed. Re non-registering effort, about 93% of the meters that were non-registering have been completed; the remaining 7% are larger meters and as soon as the supplies of meters arrive, they will be changed out. About \$11k monthly is expected in revenues from this effort. Re the large meter change outs – about 56% of the large meters have been changed from sensus to AMR; a majority of these are the high priorities – the meters that were estimated beyond 70 days or were non-registering. Primary focus was given to this are and there are 47 left to change out. The related revenues as a result of this effort are \$38k per month. Recently more focus has been given to sewer investigations. It was hoped to identify locations that are being built for a single dwelling but are in actuality multiple dwellings. The goal is to locate them and to get the billings to reflect the correct type of dwellings. There has been resistance by consumers because they are not eager to open their doors to the crew. She will work with the PIO re a public awareness campaign so that they will be aware of the difference in price. The revenues related to this effort are about \$10k per month. The next plan of action is to access change out the ¾ sensus meters (about 14,000).

The GMCUS reported that on June 15<sup>th</sup> GWA staff will begin to read our meters.

RE: Customer Service – Jessica Taisacan reported on behalf of Becky Balajadia. She reported 1190 disconnections; 373 completed and 817 pending reroute. Re reconnection – 290 were reconnected. Focus is being given illegal connections a total of 16 illegal connections have been identified – 1 government, 1 contractor and 14 residential. All cases have been reported to GPD and the Attorney's General's Office.

#### **6. Collection & Distribution**

Jess Lujan submitted his report (copy in Master File). Overall operations are going smoothly. Mr. Lujan said that line breaks are keeping the crew busy lately. He reported that there are 78 leak repairs on the books and he is working to get these resolved. The GMCUS reported that Jess Lujan is now the acting Asst. GM for Collection & Distribution, replacing Tony Chargualaf.

#### **7. Production & Treatment**

Mr. Greg Miller submitted his report (copy in Master File). He reported that he has been working closely with data to get an internal work order system running. This will tie into the CMMS system. He also has been working on establishing national bench marks so that GWA can see how it compares with their counterparts in the U.S. All the wells that are easy fixes are up and running but he does have a few hard broke restorations. These are the ones that require re-drilling or extraordinary types of repairs. He reported that GWA now has 15 VFD's. Installations of the VFD require some modifications to the facilities. They come with flow meters and in anticipation long lead items are being ordered.

VEOLIA - The Chairman asked Mr. Kevin Patrick, GM for Veolia Water, GWA's PMC for wastewater the status of GWA's proposal for a \$5Million loan. He responded that Veolia's main concern is that the PMC is for 3 years and GWA's proposal is for the loan to be repaid in 5 years. Veolia is hesitant to make the loan without their presence in Guam and mentioned that an alternative would be an accelerated repayment should the PMC contract not be renewed. The Chairman commented that GWA's intent is to enter into an agreement to make 60 monthly payments and not 24 payments at one level and then balloon payments at the end. Mr. Patrick said that this matter is not final and management can still negotiate

with Veolia. The Chairman said that from the Commissions perspective, the loan would be for 5 years with 60 equal monthly payments; Veolia has full recourse and can place penalties if GWA doesn't pay. Veolia will help GWA bridge some financing.. The Chairman said the Commission is looking for a contract with Veolia to borrow a bridge loan of \$5Million with repayment to continue even if Veolia's PMC contract is not renewed. He said this matter may be moot because GWA is looking to float a bond in the near future. He said GWA is good for their loans and asked him bring this matter to his management for reconsideration

**8. Financial**

Joe Claveria, Controller, reported that the numbers are trending on track as per the annualized figures. GWA has been keeping to budget with exception for media communications budget. He proceeded to give some major highlights: cash collection ratio and others. The bond requirements are on target; receivables have decreased by \$1.1Million; the monthly allocations for long-term debts are in-line; He also reported that GWA lost \$1Million in April. The Controller said the lost could be the result of the greater liability with the billing numbers. The Chairman asked if this the beginning of a trend or a one time glitch. The Chairman said he would like to see fiscal year end estimates. The GMCUS said he would look into the matter and get back to the Commission.

**9. Communications / PIO**

The PIO submitted her report that a series of articles is on schedule for the next 6 months. An interesting trend to note is that website activity has increased since it has been revamped. There is an article in the SuperShopper. This Friday there is a WAVE planned in honor of water month at 7:30 p.m. and employee service award luncheon is being planned at waterworks.

**VIII. ANNOUNCEMENTS**

**1. Next CCU Meeting: GPA – 6/3/08; GWA -**

The Chairman announced the next CCU meeting would be on June 3<sup>rd</sup> for GPA and July 8<sup>th</sup> for GWA.

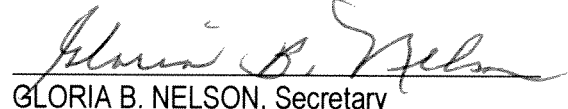
**IX. EXECUTIVE SESSION - None**

**X. ADJOURNMENT**

There was no further business to bring before the Commission and the meeting adjourned at 7:50 p.m.

Attested:

  
SIMON A. SANCHEZ II, Chairman

  
GLORIA B. NELSON, Secretary

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