



# 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 3:00 p.m., May 26, 2009

### MINUTES

#### I. CALL TO ORDER

The Chairman called the meeting to order at 3:10 p.m. He announced that all 5 Commissioners are present. He thanked everyone for coming early. He welcomed back Comm. Nelson. He said this is a GPA meeting but he asked that the meeting begin a couple hours early to discuss a GWA matter – the moratorium bid. He said he scheduled an executive session but will only go into Executive Session if there is a need and will rely on the Staff Attorney's opinion on this matter. The discussion relative to the moratorium is found in Section VII.1 below. Those present include:

#### Commissioners:

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

#### Executive Mgmt:

John Benavente	GM, Consolidated Utility Services (GMCUS)
Kin Flores	General Mgr., / GPA (GPAGM)
Len Olive	General Mgr., / GWA (GWAGM)
Andy Balajadia	Asst. Operations Mgr., / GPA (AGMO)
Randy Wiegand	Chief Financial Officer / GPA (GPACFO)
Greg Cruz	Chief Financial Officer / GWA (GWACFO)
Graham Botha	Staff Atty., GPA
Sam Taylor	Staff Atty., GWA

#### Management & Staff:

Art Perez	Communications Mgr. / PIO, GPA
Sandi Perez	Personnel Services Admin. (A) / GPA Human Resources
Ron Okada	T&D Manager / GPA
Richard Bersamin	Asst. Mgr, Customer Svc. / GPA
Cora Montellano	Asst. Chief Financial Officer / GPA
Jamie Pangelinan	Supply Mgmt. Administrator / GPA Procurement
Melinda Camacho	Mgr. of Engineering / GPA
John Cruz	Mgr. of SPORD / GPA
Paz Tison	Engineer / SPORD
Angela Quinto	Internal Auditor / GPA
Lenora Sanz	Controller / Finance
Ken Gutierrez	Human Resources
Zita San Agustin	Budget Office
Gus Guerrero	Chief Electric Power System Dispatcher

#### Guests:

Edward Eastham	Veolia
Gerald Fitzgibbons	Veolia

John Davis	KUAM
Nick Delgado	Pacific News Center
Alan Searle	Alan Searle Consulting
Jong Won	Core Tech International
Jay Sunga	Sen. Tom Ada's Office

## II. APPROVAL OF MINUTES

The Minutes of April 28, 2009 was presented for approval.

Comm. Palomo moved to approve the Minutes subject to verification and written correction; Comm. Duenas seconded. There was no further discussion or objection and the motion passed.

## III. GM (CUS) REPORT

### IV. GM REPORT / UPDATE

#### 1. System Update

The 2 CT's that have been out is back on-line. Dededo CT is being repaired; Macheche is back on line.

#### 2. Government Receivables

Receivables are in-line. Dept. of Admin is current.

#### 3. Administration Dept. Reports

The GM reported that more people are still leaving – 2 due to pay and 2 terminations. The Chairman mentioned that the Legislators are still asking him to provide a list of CTP positions that are not unique to GPA. They are all admin positions especially in HR and Customer Service. It is a frequent criticism. The Chairman would like to have a better understanding of this issue and asked to see a list of these positions.

#### 4. System Losses

This was not discussed.

#### 5. Fuel Inventory Update

This was not discussed.

## V. COMMUNICATIONS

### 1. Public Comments - None

## VI. LEGAL COUNSEL - None

## VII. NEW BUSINESS

### 1. GWA Moratorium

The GWAGM welcomed Gerald Fitzgibbons and Edward Eastham from Veolia who were part of the review team. He said they will go over the analysis process and results. Mr. Eastham gave an overview of the project (copy in Master File). He said the project was developed to address hydraulic deficiencies in the Agana WWTP sewer lines. IFB's were released in January 09; following several bid extensions, 2 bidders submitted proposals in May 09. They are Guam Community Improvement Foundation Inc. (GCIFI), a partnership of Barclays Bank, Core Tech Int'l, DCK Worldwide, Duenas Camacho & Associates & Michels and Guam Infrastructure Partners (GIP), a partnership of Merchant Bank, Black Construction and AECOM. The evaluation process was a 2-stage process – the first examined options and compliance with contract requirements, including submission of required information; the 2<sup>nd</sup> stage was a points system based on technical and financial reviews and NPV calculation. The bid process was handles via the internet – 35 companies registered to view the documents. In the final weeks only 4 bidders were still working on the bid. On the due date 2 bidders submitted proposals – GCIFI and GIP. Both bidders submitted a base bid and an alternate bid. GCIFI offered 2 further options with no finance. GCIFI 's base bid was \$59M for directional drilling and their alternate bid was \$37M for open cut. GFI's base bid was \$63M for directional and \$45M for open cut. Relative to finance costs GCIFI offered a 21-year term at 8.2% and GIP offered a 17-year term at 7.125%. GCIFI also took into account archeological issues (both seen and unforeseen issues) in their estimates GIP said they would work with a particular specialist but were not as conclusive as GCIFI in terms of accepting the risks. There was a big disparity between the 2 bidders relative to operational costs - GCIFI was \$299M vs. \$807M for GIP. It was determined that GIP made an error and didn't interpret the contract correctly – they based their design estimates on the resized pumps at existing pump stations identically to the current rate of the pumps rather than anticipation of changing out the pumps for smaller more efficient pumps. Also they included a contingency allowance of 10% so it is believed that they interpreted that they would have to operate the pumps for a 20-year period. Mr. Eastham explained the next stage relative to point scoring – GCIFI ended with 53 and 83 points for directional drilling and open cut respectively; GIP's score was 49 and 47 for directional and open cut respectively. Some key issues discussed – that finance from both bidders is conditional on PUC approving rate increases in the master plan or other rates to service

the debt. The finance offered is also conditional on revenue pledge either in parity or subordinate to the 2005 bond issuance pledge. There's a refinance option facility in 2019. Some minor technical issues still need to be resolved. Although this is a fixed price contract with the majority of risks held by the bidder; GWA holds some risks. The review team recommended that the award be given to GCIFI. Management concurred and feels that technically GCIFI's open cut proposal is the best & more efficient proposal.

There was discussion relative to GWA's financing of the project. The PUC's delivery of a rate plan would suffice for the bidders to take to their bank. The Chairman said that in the rate filing before the PUC, the plan this FY is to borrow \$148M in the next couple of years to include \$30-38M for the moratorium. There is a prioritized project list that is based on the Master Plan and the moratorium is at the top of the list. GWA's underwriters advised that if GWA gets approval in August the funds would come in November. The GWAGM said the 5-year plan is ever more important

Management presented Resolution 17-FY2009 relative to approving a partner to design build and finance the GWA moratorium project. Some amendments to the resolution were noted to include the following – in the 3<sup>rd</sup> Whereas to add P.L. 29-130 in line 19 after the word authority and to strike the same phrase in line 22; to add on page 2, line 7 after the word report – which is incorporated in its entirety into this resolution; in line 11, to strike the phrase after the word management; in the resolved, to strike #1 and #4 to add in #6, line 30 verbiage – counsel and management after the word authorized; in line 30, to strike the phrase “to engage in eminent domain procedures or”.

Comm. Hara motioned to approve Resolution 17-FY2009 as amended; Comm. Nelson seconded. There was no further discussion or objection and the motion passed.

The Chairman said that the contract must be brought back to the Commission for final approval.

## **2. Resolution 2009-20: Rate Change Electric Power Dispatch Tech & Electric Power System Dispatcher**

In Resolution 2009-20, management requested to amend the minimum salary ranges of the Electric Power System Dispatcher (ESPD) Technician and the Electric Power System Dispatcher (EPSD) I positions based on recruitment difficulty. The GM said that restructuring these series of positions did not resolve the recruitment difficulty of these positions, a larger pay incentive is necessary in order to encourage in-house applicants to apply for the position/s. The additional pay incentive of three (3) sub-steps forms the new minimum range and shall be provided base on satisfactory performance. He added that at the next annual review and upon a satisfactory rating or above, the incumbent may be eligible to receive the remainder of 3 sub-steps, equal to 3%, and not to exceed the cumulative of 6 sub-steps, equal to 6%, from the date of transfer.

Comm. Nelson motioned to approve Resolution 2009-20; Comm. Duenas seconded.

In discussion, Comm. Palomo recommended to attach to the resolution copies of the related newspaper / trade ads related to postings of vacancy of this position as evidence of recruitment effort by management.

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

## **3. Resolution 2009-21: Relative to IFB Drafts for Cabras 3&4 PMC**

The AGMO said the current PMC contract for Cabras 3&4 was awarded to Doosan, Inc and will expire on December 31, 2009. In Resolution 2009-21, management is requesting the Commission permission to bid / procure another PMC for the Cabras 3&4 power plant. He reported that availability factors, efficiency and capital improvements have come about with the PMC program and management recommends that another PMC be secured.

Comm. Duenas motioned to approve Resolution 2009-21; Comm. Nelson seconded.

In discussion it was mentioned to add to page 1, line 27 the phrase “GPA management to” after the word “directs”.

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

## **4. Resolution 2009-22: 4<sup>th</sup> Extension Cabras 1&2 PMC**

The AGMO reported that the PMC contract with TEMES expired on December 31, 2007. Management is requesting for the 4<sup>th</sup> extension to this contract; the 3<sup>rd</sup> extension will expire on June 30, 2009. By order of the OPA, the Intent to Award notice to TEMES for a new PMC for Cabras 1&2 was cancelled after the OPA reviewed a procurement protest lodged by one of the bidders. The procurement package was revised to eliminate possible areas of objection. The new procurement has a bid closing date of June 11, 2009 with an estimated evaluation and award completion date of September 2009, followed by a 30-day transition period. Management believes it is prudent to allow TEMES to continue with the plant management on a month to month basis for another 6 months given their familiarity with the scope of work and established relationship with the services and material contractors.

Comm. Duenas motioned to approve Resolution 2009-22; Comm. Hara seconded. There was no further discussion or objection and the motion passed.

#### **5. Resolution 2009-25: LEAC Adjustment**

The CFO said unfortunately the price of fuel has drastically increased in the last few months which have impacted the amount of savings that can be extended to ratepayers. The current LEAC adjustment would be a 4.6 reduction in LEAC. The CFO said the 2 scenarios provided (copy in Master File) interprets the actual from February – July 09 and the other is fuel projections for Aug09 – January 2010. The CFO said this schedule is set to bring the under recovery to zero.

There was some discussion on hedging. Our current hedge provider is Morgan Stanley; it was mentioned that Goldman Sachs and BP Petroleum are also interested in hedging. Comm. Duenas said if GPA is going to hedge it is best to do it now rather than wait.

Comm. Duenas motioned to approve Resolution 2009-25; Comm. Hara seconded.

In discussion the following amendments were recommended – line 5, page 1 to change the word “change” to “reduction”; line 19, page 1 to change the word “an” to “at”; line 1, page 2 to change “an” to “a”.

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

#### **6. Resolution 2009-26: Procurement Initiative**

The CFO reported that procurement has been a concern by the CCU since its inception. The CCU law gave a lot of latitude to the CCU to adopt its own procurement standards unfortunately there was no standards to be adopted so by default the adopted GovGuam's rules and regulations. CFO said that GPA has identified deficiencies in procurement regulations as a growing hindrance to the effective and efficient operations of the Authority – such as the automatic stay when a protest is launched. Most jurisdictions don't have an automatic stay provision and a civil suit can be filed to reclaim any damages / lost profits. Most areas have a much higher threshold to exclude the bidding process. The insurance bid GPA experienced last summer was very problematic driven by the limited options available to GPA– either a bid or an RFP. Another set of rules may have allowed GPA best value bidding or competitive sealed proposals – both widely used elsewhere. There has been a lack of opportunities of GPA to provide procurement training to its procurement staff as well as other managers in the last several years. GPA desires to commence with a procurement initiative to modernize the procurement rules and regulations followed by the Authority. The cost of such an initiative is well below the obligating authority threshold of the GM but the ramifications of the initiative are broad and far reaching with significant implications for future policies of the authority and the GM has determined that CCU approval should be sought. Management would hire a consultant to assist GPA work with the system at hand and train our personnel to better use the current system and more importantly to undertake an initiative to help identify another procurement code to enable GPA procure more efficiently

Comm. Duenas motioned to approve Resolution 2009-26; Comm. Hara seconded.

In discussion Comm. Nelson and Duenas recommended that the language in the resolution be amended to include GWA.

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

#### **7. March 2009 Financials**

The CFO said March was a good month. The base rates kicked in and there is a little bit of a profit. In February Financials there was a \$500M loss overall and this is expected to shrink even more as the year progresses. The kWh sale to date is almost even as last year.

### **VIII. OLD BUSINESS**

#### **1. Resolution 2009-27: Performance Mgmt. Forms**

The GPA said this resolution has a direct connection to the previous policy passed by the CCU relative to the new compensation study and the implementation of the CTP salary adjustment policy to migrate GPA/GWA to the 50<sup>th</sup> percentile. Resolution 2009-27 is to recommend the adoption of the new performance evaluation methodology. Mr. Alan Searle previously presented to the CCU in a working session what the performance evaluation does and how it works its intricacies of measurement, standards, metrics etc. for all CTP all in line with awarding compensation that is commensurate with superior performance. GPA has also conducted training for most 1<sup>st</sup> line supervisors in strategic planning, developing performance standards and using these forms in their courses to get used to the difference in the methodology. January of each year is the anniversary date for these forms to be used. Management is asking the CCU to adopt the new forms which will be used as a basis for evaluation of all CTP employees from here on forward. He added that the form will also be used to evaluate non-CTP employees but in accordance with their personnel rules and regulations. The GM will be allowed to modify and tweak the form to suit the latter. Managers were asked to take the form out and introduce / brief their respective employees and to comment on the form. He said GPA and ready and he spoke to GWAGM Olive who confirmed that GWA is also ready.

Comm. Nelson asked about the difference between the form that was produced by Dr. Santos and the current Alan Searle forms. The Chairman explained that the Santos forms were initially developed as a means to evaluate the Executive Management Team because the CCU had no system in place at the time and the evaluations were required by law. Meanwhile the Alan Searle study was ongoing. Now that the Searle forms are also ready for use, the CCU must decide which form to adopt to use for the executive management team. The Chairman added that the Searle forms are linked to the way the CTP pay scale is set up.

Comm. Duenas discussed the apprentice program and encouraged management to incorporate them into the CTP program because they are the future CTP's; he also commented on non-CTP employees and asked management to revisit this matter and address their concerns from the perspective of equity and not leave them out in the cold. The CFO said the intent was to include everybody but the legislature put a stop to it. The GM said that the non-CTP employees at briefings asked the GM if they could be measured by the same methodology. The Staff Atty. added what cannot change is the period for when their increments are due (Hay Study) they must stay within the Hay guidelines. The GM asked if the new forms can be used for non-CTP employees but based on the current personnel rules. The GMCUS stated that there are other creative ways to structure / compensate for non-CTP employees such as the merit system / increases. Comm. Duenas reiterated that he would like management to study the non-CTP to see what can be done. The Chairman said he has received complaints especially with HR and Customer Service that are not "certified" employees. Only 40 people of 542 employees are non-CTP employees.

The CTP said that you can get between 3-6% increments based on performance. It rewards performers /achievers – a better performer can get as much as 6%.

**Comm. Duenas motioned to approve Resolution 2009-27; Comm. Hara seconded.**

In discussion, Comm. Palomo pointed out that employee with unsatisfactory performance gets no increment. He said that the resolution does not state that. In response page 2, line 2 of the resolution was amended to read from zero to 6% increment in a 6-step series of 1% increments.

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

## **2. Resolution 2009-16: GPA/GWA Memorandum of Understanding**

This matter was tabled.

## **3. Resolution 2009-23: VK Amendment**

The CFO said Virchow Krause (VK) was doing Phase II Assessment last week. While here they mentioned that most utilities that they are working with are scrambling to get grant applications in for SMART GRID – automated metering for infrastructure. The engagement and scope of work includes implementation of technologies that may help GPA reduce its costs. The ballpark estimate to conduct a study and draft a grant application for the implementation of a SMART GRID on Guam is \$80k. Phase I is an assessment / information gathering for initial assessment; Phase II is building a business case and Phase III is the actual grant application. Of the \$80k, \$40k would get them into Phase III. In the event the assessment reveals that the cost far outweighs the benefit then the work can stop immediately. The Stimulus package allows 50% grant funding so GPA would still need to come up with its share. The earliest that SMART GRID would be implemented is 2 years at best. This request is to merely authorize management to amend the VK contract by \$80k to take a look and see if it makes sense.

**Comm. Nelson motioned to approve Resolution 2009-23; Comm. Hara seconded. There was no further discussion or objection and the motion passed.**

## **4. Resolution 2009-24: Regulatory Consulting Contracts**

The CFO reported that Resolution 2009-24 is driven by issues that have come up with the Customer Service Agreement (CSA). The Navy is asking GPA to invest in the system without any real commitment for the long-term. The negotiation of the CSA is a long and arduous process – the approval chain goes all the way up to the U.S. House of Congress. Management feels it is best handled through a consultant. GPA's regulatory consultant agreement was ending so management released an RFP for regulatory consulting work and the CSA Amendment. R.W. Beck's proposal is weak relative to the CSA; However Black and Veach's proposal was very strong relative to CSA. Management would like authorization to move forward and split the contract awarding the regulatory work to R.W. Beck and the CSA work to Black and Veach. It is unlikely that GPA will exceed the GM's contracting threshold in the 1<sup>st</sup> year of the contract, but it is likely that the value of these contracts will exceed the GM's contracting authority over the life of the contracts.

**Comm. Nelson motioned to approve Resolution 2009-24; Comm. Palomo seconded.**

The CCU recommended that the phrase "that the contract amount not to exceed \$500k without further CCU approval" be added at the end of Resolved Item 1. In addition, to add to the end of Resolved Item 2 the name of the 2 consultants – R.W. Beck and Black & Veach International Co.

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

IX. ANNOUNCEMENTS

1. Next CCU Meeting

The Chairman announced that the next CCU meeting would be for GWA in June 9<sup>th</sup> and June 23<sup>rd</sup> for GPA.

X. EXECUTIVE SESSION

1. Moratorium Contract

This matter was not discussed in Executive Session

XI. ADJOURNMENT

There being no further business to bring before the Commission, the meeting was adjourned at 7:05 p.m.

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Attested:

  
SIMON A. SANCHEZ II, Chairman

  
GLORIA B. NELSON, Secretary