



# 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., June 23, 2009

### MINUTES

#### I. CALL TO ORDER

The Chairman called the meeting to order at 5:55 p.m. He announced that 4 Commissioners were present and that Comm. Deans was off-island. Those present include:

##### Commissioners:

Simon Sanchez	Chairman
Benigno Palomo	Vice Chair, GPA
Eloy P. Hara	Vice Chair, GWA
Gloria B. Nelson	Secretary

##### 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)
Graham Botha	Staff Atty., GPA
Sam Taylor	Staff Atty., GWA

##### Management & Staff:

Art Perez	Communications Mgr. / PIO, GPA
Cora Montellano	Asst. Chief Financial Officer / GPA
Pete Fejerang	Safety
Joseph Manibusan	Generation
Gilda Mafnas	Comptroller / GWA
Simon Camacho	Asst. Manager / T&D

##### Guests:

Cyrus Luhr	Sen. Tom Ada's Office
William Blair	PUC
Connor Murphy	PDN

#### II. APPROVAL OF MINUTES

The Minutes of May 26, 2009 was presented for approval.

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

### III. GM (CUS) REPORT

#### 1. GWA 5-year Financial Plan

The GMCUS reported that there have been new developments with GWA's 5-year Financial Plan. GWA continues to study and evaluate potential scenarios and is not ready to make a recommendation to the Commission tonight.

He summarized that GWA's billing problem would likely cause GWA not to meet its debt service covenant for the FY09 ending on 9/30/09 nor its cash flow projections in the 5-year financial plan. In previously approved 5-year plans, GWA was using system development charge revenues in its debt service coverage calculation; GWA has now confirmed such inclusion is not allowed under its bond covenants. These 2 factors are leading debt service coverage ratios that would not allow for a significant debt issuance without significant additional rate relief. GWA would likely be unable to issue bonds without filling (2) O&M funds with approximately \$20Million in additional cash requirements.

GWA is exploring a \$118Million bond issuance to include funds for the moratorium projects in December 2009. GWA is exploring (2) short term loans – a \$5Million short-term loan to initiate the moratorium project in September and a \$20Million loan to fund the shortfalls in the (2) O&M funds.

GWA has been advised by its financial team that rates have increased significantly since the issuance of the GovGuam bonds and they are recommending that GWA seek authorization from the legislature to increase the authorized bond interest rate to 9%

The GMCUS said that this meeting may have to be recessed and continued to give management an opportunity to brainstorm more definitive scenarios to recommend to the Commission.

The Chairman reiterated for the record that management's concern is that the 5-year plan the CCU approved for consideration by the PUC (33% over 5-years) which the PUC plan to approve by July may have to be amended. Management is trying to stay within the same timeline that currently exist.

The Chairman concurred that this meeting may be recessed and continued next week to review the various scenarios that management comes up with; he recommended that the continuance be next Wednesday.

### IV. GM REPORT / UPDATE

#### 1. System Update

The AGMO said the Cabras 2 overhaul has been completed – a \$6million expense. This is a 1-time expense and the new rotor is good for another 10 years. An engineering scholar is on board and a second one is in his 2<sup>nd</sup> year. There was discussion on publicizing the addition of these professionals; Art Perez, PIO confirmed that this matter was announced on the radio. The PIO also highlighted other public announcement he has scheduled. There was discussion on approaching merit scholars and inviting / encouraging them to consider a career in utilities.

#### 2. Government Receivables – Tabled

#### 3. Operation Dept. Reports - Tabled

#### 4. System Losses – Tabled

#### 5. Fuel Inventory Update – Tabled

### V. COMMUNICATIONS

#### 1. Public Comments - None

### VI. LEGAL COUNSEL

### VII. NEW BUSINESS

#### 1. Resolution 2009-30: Relative to Diesel Fuel Supply for TEMES CT, Fast Track, Tenjo and Baseload Plants

#### 2. Resolution 2009-31: Relative to Diesel Fuel Supply for Dededo Diesel & CT Plants

The GM said that Resolutions 30, 31 and 32 are somewhat related. Resolutions 30 and 31 are identical with the only difference being the logistical delivery of the product. These resolutions are needed because GPA's diesel contract is expiring on September 30, 2009 and during GPA's discussions with Shell Guam, an increase in the current price was indicated. Management believed that the premium fees should be reduced following lower prices of petroleum in the world market today compared with prices at the start of the current contract. Because of this, GPA recommended the solicitation of a new bid. A pre-final draft of the procurement documents for the IFB for the procurement of diesel fuel oil was attached for the Commission's review. Management asked the Commission for their approval to move forward with the solicitation of bids.

#### 3. Resolution 2009-32: Relative to Diesel Fuel Supply Contract Extensions

The GM said Resolution 2009-32 is requesting the CCU to allow GPA to extend the current contract on a month-to-month basis up to December 2009 to allow GPA to purchase diesel fuel in the event that GPA is unable to award a contract before September 30, 2009.

Comm. Palomo motioned to approve Resolutions 2009-30, 31 and 32 as presented; Comm. Nelson seconded. There was no further discussion or objection and the motion carried.

**4. Resolution 2009-33: Relative to Residual Fuel Oil Supply for Baseloads**

The GM said that this is the largest fuel purchase that GPA will make. He said that the current contract will expire in January 31, 2010 but because it is such a critical contract, management is being proactive to ensure that there is ample time to review specs, make changes as needed and submit documents to PUC on a timely manner. In discussion it was mentioned that the contract would be for 3 years. Management is asking the Commission to authorize them to proceed with the procurement of residual fuel oil no. 6 for its baseload power generating plants

Comm. Nelson motioned to approve Resolution 2009-33 as presented; Comm. Hara seconded. There was no further discussion or objection and the motion passed.

**5. April 2009 Financials**

The CFO said that rates have been decreasing but unfortunately every category of sales except for 1 is down vs. prior year and every category YTD is down. Overall YTD sales are down 2%, a troubling trend. There were 2 isolated large expenditures – the closing of the \$20 Million Cathay Bank Loan and the overhaul caused generation expenses to be abnormally high. The CFO said he expects to be more than slightly negative by fiscal year-end. He said he would have a revised forecast by the end of May. Spending is below budget.

**VIII. OLD BUSINESS**

**1. Resolution 2009-16: GPA/GWA MOU for Services Rendered**

The Staff Attorney stated that this matter was tabled at a previous meeting so that management from GPA and GWA can determine and agree on the amounts for the balance outstanding. The agencies entered into an initial MOU in 2003 which has now expired. Under the initial MOU GWA struggled to repay GPA for resources which were provided at the direction of the GMCUS. The new MOU has been drafted under which GWA is being allowed a 4-year period to repay amounts owed to GPA and pledges to remain current on any payments for resource provision in the future as well as setting forth some protocol requirements for future resource sharing. A copy of the new MOU was provided and Staff Atty. Taylor gave some highlights.

Comm. Palomo recommended that the word directed on page 2, line 14 be changed to authorized.

Comm. Nelson motioned to approve Resolution 2009-16 as amended; Comm. Palomo seconded. There was no further discussion or objection and the motion carried.

The Chairman recessed the meeting at 6:40 p.m. and scheduled the continuance for Wednesday, 7/1/09

**GUAM POWER AUTHORITY  
Regular Board Meeting  
Continuance of the Meeting of June 23, 2009  
GPA Board Conference Room  
9 a.m., July 1, 2009**

The Chairman called the meeting to order at 9:15 a.m. He announced that 3 Commissioners were present; Comm. Duenas was still off-island and Comm. Duenas was excused. He stated that this meeting was a continuation of the June 23<sup>rd</sup> meeting and that the only item for discussion was GWA's 5-year Financial Plan. Those present include:

**Commissioners:**

Simon Sanchez	Chairman
Benigno Palomo	Vice Chair, GPA
Gloria B. Nelson	Secretary

**Executive Mgmt:**

John Benavente	GM, Consolidated Utility Services (GMCUS)
Len Olive	General Mgr., / GWA (GWAGM)
Sam Taylor	Staff Atty., GWA

**Management & Staff:**

Gilda Mafnas

Comptroller / GWA

**Guests:**

Cyrus Luhr

Sen. Tom Ada's Office

**IX. OLD BUSINESS**

**2. Resolution 20-FY2009: GWA 5-year Financial Plan**

In his overview, the Chairman said that at last week's meeting, management mentioned suggested that there needs to be changes on the original rate case that was approved by the CCU last fall. Management will present what that change might be and the CCU will give some instruction to management to negotiate with the PUC and to give management flexibility.

The GMCUS and GWA management presented 2 scenarios – a 34% over 5 years and a 41.5% over 5 years. Both scenarios would fund 25 days of official fund reserve requirements, \$5M for moratorium projects; OMMRF – Operating Costs for 90 days; O&M – 55 days of Operating Expense and others. The only difference would be that one scenario distributes the rate increase annually and the other front loads the rate increase. After a very lengthy exchange relative to the content, what items are covered / included etc. it was decided that the version that incorporates a 41.5% rate increase over 5 years was the best and most palatable to the ratepayer.

Resolution 20-FY2009 was reviewed in its entirety and several amendments were incorporated. The Staff Attorney and the Recording Secretary implemented the changes as recommended.

Comm. Nelson motioned to approve Resolution 20-FY2009 as amended; Comm. Palomo seconded. There was no further discussion or objection and the motion passed.

**X. ANNOUNCEMENTS**

**1. Next CCU Meeting**

The Chairman announced that the next CCU meeting would be a combined GPA/GWA meeting on July 7<sup>th</sup>.

**XI. EXECUTIVE SESSION – None**

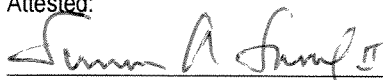
**XII. ADJOURNMENT**

There being no further business to bring before the Commission, the meeting was adjourned at 11:20 a.m.

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Attested:



SIMON A. SANCHEZ II, Chairman



GLORIA B. NELSON, Secretary