



# 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 3, 2008

### MINUTES

#### I. CALL TO ORDER

The Chairman called the meeting to order at 5:45 p.m. He said that (4) Commissioners were present; Comm. Blas was off-island and excused. Those in attendance include:

##### Commissioners:

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

##### Executive Mgmt:

Kin Flores	GPAGM
Cora Montellano	GPA CFO (Acting)
Graham Botha	Staff Atty., GPA
Andy Balajadia	AGMO. GPA

##### Management & Staff:

Ron Okada	T&D Manager
Mercy Castro	Utility Services Administrator
Art Perez	PIO, GPA
Pam Aguigui	Chief Budget Officer, GPA
Melinda Camacho	Engineering Mgr., GPA
Julie Quinata	Personnel Services Administrator
Jamie Pangelinan	Supply & Materials Manager
Rudy Manibusan	Administrator, Computer Systems
Lenora Sanz	Controller, GPA
John Cruz	SPORD Mgr., GPA

##### Guests:

Zita Taitano	Marianas Variety
Darryl Taggerty	Representative, Sen. J. Lujan
Bill Martin	Reporter, PDN
Jesse Palican	Barrigada Mayor

#### II. APPROVAL OF MINUTES

The Minutes of April 8, 2008 was presented for approval.

Comm. Nelson motioned to approve the Minutes subject to verification and written correction; Comm. Palomo seconded. With no further objection or discussion, the motion passed.

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

#### IV. GM (GPA) REPORT - None

**1. System Update**

The GM reported that Cabras Unit 2 is still out for overhaul and will take an additional 5 days to repair.

**2. FEMA Update**

This item was not discussed.

**3. Government Receivables**

This item was not discussed

**4. Administration Dept. Reports**

**PIO Report** – the PIO said the CCU and GM asked him to come up with some partnerships for educational outreach that begins at the elementary level and into high school. He presented the CCU with products of his efforts that included a coloring book promoting electrical safety for the elementary level, a home inspection safety brochure for middle school and a “Make GPA Your Career” brochure for the high school level. He said that this is in part an effort to strengthen partnerships. The brochures will be provided free of charge to schools and GPA’s PIO and SPORD have partnered to promote the IRP process; GPA is heavily involved with the “Going Green” segment on KUAM, the educational brochures will be made available at summer camp that will launch in June.

In addition, the PIO will unveil the Palomo’s Power Project at the next meeting. It is a power point presentation that tells how power is generated and distributed to resident’s homes. The presentation includes an interactive module on the web where different parts of the IWPS can be accessed via audio and people can learn how GPA’s power system serves them. Another feature which is related to SPORD and GPA’s IRP process is as GPA identifies alternative and renewable energy generation for the island, the audio segment will be expanded to include how alternative/renewable energy is produced and how it saves consumers money.

The GM offered some highlights for other Administrative areas:

**Customer Service** -The GM reported that GPA collected \$34.6Million in May – a record collection effort. GPA’s delinquency is around 6-6.5% and the UA is working diligently to bring it below 5%.

**Human Resources** –GPA is down to 509 employees; he mentioned the Apprenticeship Graduation on Thursday and invited the Commission to attend. There are 23 apprentices that will be graduating. It is scheduled for 10a.m. at the Marriott

**5. System Losses**

This item was not discussed.

**6. Fuel Inventory Update**

This item was not discussed.

**V. COMMUNICATIONS**

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

**Mayor Jessie Palican** - The Mayor said that thru lobbying with the Legislature & Governor, Government of Guam was able to find \$13.8Million to pay for the SL arrears and as a result, the streetlight disconnection mandated by the CCU was curtailed. The Mayor said he was thankful that all forces came together to prevent the disconnection and said he does not want the SL scenario to be repeated again and does not want ratepayers to have to be burdened in the future. He would like to begin discussions on how to best handle the streetlight issue and its lack of funding. As a representative of the Mayor’s Council, he would like to take back some action plan / message to the Mayor’s at their meeting tomorrow. There is only \$3.1Million in revenue from vehicle registration and the cost to keep the SL lit is \$5.2Million based on 15,000 streetlights. There is a shortfall of \$2.1Million and the Mayors Council would like to work with GPA moving forward to try to resolve the shortage.

The Chairman said that the Government agreed to get a loan for the arrears which will address the balance due now. Going forward, the Governor would get budgetary authority to use this year’s revenue to cover for the \$2Million shortfall. In other words, when the \$3.1Million registration funds deplete, he would make the July / August / Sept. payments using funds from the General Fund. In GPA’s view the immediate crisis is over.

Additionally, the Legislature would like to move the management of the streetlights to the Mayor’s but to give the Mayor’s guidance, the legislature will pass in addition to this decision, a requirement that GPA work with the Mayors to develop an illumination standard depending on the area. The goal is to avoid the sins of the past where

political favoritism dictated where the SL's were installed. The Chairman said GPA and the Mayors have at least a year to develop the SL standardization requirement.

Relative to the 700 SL's that were already removed, the GPAGM said that the lights that were removed were in areas where there were multiple streetlights or consecutive SL with more than adequate lighting. It is his opinion that it would be counter productive to put them back up. The Chairman recommended that management could ask the Mayors of the ones that were removed, to identify the ones they would like to be restored. Management then would share this information with the Senators & DPW because the administration has to be engaged in the decision until Mayors are designated officially by law. The GPAGM reminded the Chairman and the Mayor that there would be a reconnection charge to DPW for any SL that would be re-installed. DPW would need to approve these additional charges. It was mentioned that the reconnection charge could total \$17k. It was decided to hold off the re- installation. Meanwhile, the mayors will discuss if they really want the lights reconnected wholly or in part.

The Chairman also mentioned that GPA and the CCU are acting in good faith and if payment does not happen (as promised) GPA will revisit the disconnection process. He also added that this recent events helped to avert the base rate increase.

VI. **LEGAL COUNSEL - None**

VII. **OLD BUSINESS**

1. **Re-allocation of GWA Bond Funds**

This matter was tabled because GWA management was not present.

2. **Resolution 2008-13: Cabras 1&2**

Comm. Palomo took over the meeting because the Chairman asked to be temporarily excused. The GPAGM said that 2008-13 is a request to extend the PMC contract for Cabras 1&2. He said that several months ago GPA initiated the procurement for a new contractor for the PMC of Cabras 1&2. Management anticipated completing the terminal overhaul for Unit #2 but due to unforeseen delays the overhaul was pushed back and overlapped the award / procurement of the new contractor. The latter is now at a stayed procurement and we are now also in the midst of a boiler overhaul for Unit #1. The GM said that essentially management is requesting to extend the current PMC contract for a few more months in order to complete the required overhauls and form the contract with the new PMC.

The AGMO added that the biggest push re this resolution is the fact that the procurement for the new PMC is now in the hands of the Office of the Public Auditor and there is no telling how long it will take to resolve; it may go over June 30<sup>th</sup> – the expiration of the current PMC contract. We are asking to extend the PMC for another 6 months – up to December 31<sup>st</sup>.

Staff Attorney Botha commented that the OPA will hear the merits of the complaint in July 2008 and hopefully at this point it would be resolved one way or the other. At that time, management will determine which of the 2 vendors the award will go to. The purpose of this resolution is to ensure that there is a PMC in place during the period of protest. It was mentioned that this request is an extension of time – the fees will remain the same.

The Chairman who at this point returned to the meeting and motioned to approve Resolution 2008-13 relative to the 2<sup>nd</sup> extension of the PMC for Cabras Units 1&2; Comm. Nelson seconded. There was no further discussion or objection and the motion carried.

3. **Resolution 2008-15: Authorizing \$10 Million Loan**

At this point, the Chairman resumed the proceedings and said that Bank of Guam was willing to loan GPA \$10Million if it could get the government to guarantee the loan. The Legislature passed the guarantee last Friday and now GPA is able to move forward with the \$10Million loan.

Comm. Nelson motioned to approve 2008-15 for discussion; Comm. Hara seconded. The Chairman said that the Commission approved the projects that would be funded by the loan and asked management to reiterate the list of projects once more. The Asst. CFO said that it would include \$2Million for vehicles, \$1Million for energy management system, \$4.5Million for GPA's share of FEMA underground projects and \$2.6Million for contingency costs. The Staff Attorney said that all if passed by the CCU, GPA must still petition PUC for their approval. He also pointed out that there was only (1) bidder for the civil work for one of the UG projects.

## CCU/GPA 6/3/08 Meeting

Comm. Palomo asked about the sole source matter and the GM explained that no one is comfortable with horizontal directional drilling – it seems they can't get it right and they want to go back to conventional drilling. The GM added that even the experts who manufactured the rig were brought in to help and they could not figure the root cause of the problem either. The SA confirmed that both FEMA and the PUC must give their approval before these funds are spent.

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

### 4. Resolution 2008-16: Budget Amendment

The Resolution was moved for discussion by Comm. Hara and seconded by Comm. Nelson.

The GM explained that fuel prices have skyrocketed. The original fuel budget was \$190 Million and it is now \$252 Million. From a housekeeping point of view and for accounting and procurement to issue these purchase order amendments, he said the overall value is well beyond his authority and he would like to formalize the budgetary amendment. He added that GPA is close to \$435 Million in annual expenses, including fuel. It was mentioned that currently GPA is very close to matching the expenses for the General Fund.

The Asst. CFO noted that the calculation is around 33% increase and the financial YTD figures show a 31% increase in fuel costs so this request is a direct relation to increase in fuel costs. The Chairman stated and management concurred that this request is to reallocate the budget appropriately to reflect the increase in fuel and that the fixed costs remain the same. The resolution asked for a \$60 Million increase in the FY08 budget.

During discussions it was also pointed out that GPA's hedge program would save GPA about \$3.5 Million in fuel cost this FY and that the fuel costs would have been about 1-2% higher without it.

Comm. Palomo recommended amending the resolution to show why the budget is being amended and to reiterate the difference in fuel costs at the onset of the FY and where it is today. The resolution should be \$ specific with the then and now cost comparison and should be in laymen's terms. The Chairman asked the SA to work with management to amend the verbiage to reflect the will of the Commissioners.

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

## VIII. **NEW BUSINESS**

### 1. April 2008 Financials

The Asst. CFO reported \$419k profit for April but the YTD still shows a net loss before capital contribution of \$2.4 Million and the bottom line shows \$500k net loss. If the \$13.8 Million promised by GovGuam is received, this entire scenario will reflect a positive change.

The GM said it would be a good idea for the CFO to update GPA's primary analysts for Moody's and S&P that the FY07 financials is a one time event and should be corrected by the end of FY08. The Chairman said it would be good also to approach the bond market in FY09.

He also mentioned that it may be a good idea to put out procurement for 50-100 megawatts of renewable energy and get the ball rolling there – the GM agreed. The idea is to get something going and solicit for private partners and make it happen faster. There was discussion about hydro energy because it is the cheapest but management said the energy output is minute.

There was discussion on the GWA moratorium. The Chairman said the wastewater system in central Guam is maxed out. There was a meeting this morning to figure out how to solve the problem with financing being the biggest challenge. He said the project would only be a build and transfer type of arrangement because GWA can operate the system. It is 18-24 months before GWA can float another bond but rather than wait he recommended at the meeting that GWA release ads to invite all prospect contractors/builders to come into GWA so that management can begin to get a handle of the size of all projects to determine the capacity for the upgrade. The hope is to reach a solution within 60-90 days so GWA can lift the moratorium. The problem is that Central Guam serves such a wide area unlike Tumon or Nimitz Hill – the projects there are identifiable and specific. Builders are ready / willing to pay for the upgrades to allow them to connect to the system. This is not the case in Central Guam where the challenge is that most of the new builders are individual home owners and while these may seem small, collectively they represent a large capacity. He also added customers who are building new homes must either build their own septic tanks or hook into GWA's sewer system and right now it costs more to build a septic tank than to pay GWA the proposed SDC of \$4k to hook up to the system. As it stands now, there are a

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number of engineering and developer groups already suggesting that they would help in some level and GWA will take advantage of that. The real goal is to lift the moratorium in 60-90 days once a solution is reached and the financing is identified. The challenge is that there are some people who are ready to do their construction projects now. The chairman mentioned that John Duenas of Duenas & Associates testified at the Guam Land Use Commission meeting that this problem has been around for more than 15 years. The CCU is the first group to try to deal with it and the military build-up accelerated it. Last FY, GLUC approved 1500 condos and GWA approved 700 building permits and 70% are single family houses.

Some critics think that it is simply a maintenance problem and that GWA can magically create all this capacity by better maintenance but the experts like Veolia disagree and GWA's tests make it pretty clear that it is a true capacity issue. It is clear that Guam is going to grow and it is best to deal with the problem now. GWA's master plan also mentions that this area needs to be addressed but it was not predicted that it will happen this fast/soon.

He added that growth has to pay for growth and the SDC should have been put in place a very long time ago. He said he is very confident that CCU/GWA will resolve this issue. Management's goal is to lift the moratorium soon. A series of ads will be put in place for a "call out" to builders in central Guam to let GWA know so a study can be made re capacity needed for the upgrade.

### IX. ANNOUNCEMENTS

#### 1. Next CCU Meeting

The Chairman announced that the next CCU meeting will be for GWA on 7/8 and GPA on 7/29.

#### 2. Other Announcements

**CNMI Government Tour / Luncheon** - The GM said that an entourage from the Government of the CNMI is here and are touring GPA's facilities. They want to see the legislation that was passed during Guam's was load shedding. They want to learn how we handled our situation 10 years ago. They are interested to see the RFP's that followed the passage of the public law that allowed GPA to seek private partners and would like to get copies of the contracts that were finally awarded. They asked the CCU to help them with the thought processes. They hosted the CCU at the recent Saipan visit and the CCU will reciprocate and host the delegation for lunch on the last day at Sam Choy's tomorrow.

**Integrated Resource Plan Work Session** – Management will put this item on the Agenda for 7/8 and a work session will be slated at that time. Management will release a draft to the PUC and advise them that it will be on the 7/8 CCU Agenda.


### X. EXECUTIVE SESSION - None

### XI. ADJOURNMENT

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

Attested:

  
SIMON A. SANCHEZ II, Chairman

  
GLORIA B. NELSON, Secretary

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