



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., July 29, 2008

MINUTES

I. CALL TO ORDER

Chairman Sanchez called the meeting to order and announced that all 5 Commissioners were present. Those in attendance include:

Commissioners:

Simon Sanchez	Chairman
Benigno Palomo	Vice Chair, GPA
Eloy Hara	Vice Chair, GWA
Gloria Nelson	Secretary
J. Margaret Blas	Member

Executive Mgmt:

John Benavente	GMCUS
Kin Flores	GPAGM
Randy Wiegand	GPA-CFO
Cora Montellano	GPA CFO
Graham Botha	Staff Atty., GPA
Andy Balajadia	AGMO. GPA

Management & Staff:

Ron Okada	T&D Manager
Sylvia Ipanag	Supervisor, Planning and Regulatory
Tom Borja	Facilities Manager
Arlene Sahagon	Internal Auditor
Jennifer Sablan	Engineer, SPORD
John Crisostomo	Safety Administrator
Simon Camacho	Asst.Mgr., T&D
Julie Quinata	Personnel Services Administrator
Lenora Sanz	Controller, GPA
Pam Aguigui	Chief Budget Officer
Jose Ichihara	GPA
Art Perez	Communications Manager / PIO

Guests:

Zita Taitano	Marianas Variety
Bill Martin	Reporter, PDN
Barbara Dela Cruz	Resident
John Davis	KUAM

II. APPROVAL OF MINUTES

There were no Minutes presented for approval.

III. GM (CUS) REPORT – None

IV. **GM (GPA) REPORT**

1. **System Update**

This was not discussed.

2. **FEMA Update**

This was not discussed.

3. **Government Receivables**

This was not discussed.

4. **Operations Dept. Reports**

The AGMO, Andy Balajadia had nothing major to report and responded to questions posed by the Commissioners re the different sections.

5. **System Losses**

This was not discussed.

6. **Fuel Inventory Update**

This was not discussed.

7. **May 2008 Financial Statement**

The Asst. CFO reported that for May 2008 GPA profited \$104k before capital contribution and \$285k after capital contribution. The YTD figure is a loss of \$255k. The Chairman pointed out that the street light arrears was expensed in FY07 and ended up with a loss of \$8Million. Now with this debt collected, the \$13.8Million payment will reflect positively when it is booked in July 2008. Other highlights – collection for the last 12 months is at 100% of revenues; YTD is 101.11%; delinquency is less than 5%;

V. **COMMUNICATIONS**

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

Barbara Dela Cruz – A 74 year old resident. She had a \$768 bill and wanted to know the reason – she is conserving power and has gas stove. She asked management for consideration to extend her some time to pay her bill; she lives on \$100+ retirement monthly and cannot make the full payment.

Mrs. Dela Cruz also wanted to complain about the way she was treated by customer service and gave an accounting of her experience in detail. She said she wanted to see the Director for assistance and was told that there are supervisors and managers assigned to customer service who will help her and that she cannot see the General Manager. She said the customer service staff were rude and gave her attitude. The GM took her number and said he would review her situation and get back to her with a recommendation / resolution.

There was discussion about Customer Service and the problems therein. The GM said that, for the record, he never gave any directive that he does not want to see customers. Comm. Hara said that Managers have to be present in order to be responsive. The Chairman said that he has not seen a Customer Service manager at the CCU meetings. The Chairman said that focus must be given to this division to resolve the issues saying that this is area needs to be addressed.

VI. **LEGAL COUNSEL - None**

VII. **OLD BUSINESS**

1. **Streetlight Payment Update**

Today Management received a check for the balance due - \$2.4Million. The Chairman asked management to reconfirm a report he heard that Ms. Bertha Duenas said that she had transferred \$1.2Million from the General Fund to pay for the remaining 2 months. The Chairman asked the GM to call Ms. Duenas and follow-up.

There was discussion on the 721 street lights that were taken down. Management has not agreed to put them back up. They would like DPW to help GPA with this decision and another factor riding on this decision is whether the Governor would actually make the transfer for the full amount for FY08. The \$1.2Million is one significant hurdle; and DPW has to make an official request asking GPA to re-install them.

The plan at the meeting with the Mayor's Council is to use the new Streetlight Standardized Illumination Plan to work with GPA to assess the existing streetlights and reallocate them as needed to determine the 721 street lights that were removed is really needed. At the end of the process, the Mayors and GPA can go back to the Governor

and Legislature with the results and they can honestly say that the investment in public lighting is the right investment – done properly with actual guidelines.

2 Commercial Paper Update

The CFO reported a few months ago that GPA was unable to market \$3Million of its Commercial Paper and they were hopeful that they would continue to market the other \$17Million. He said that on 6/15/08 GPA had a draw of nearly \$4Million against its line of credit; on 7/15 there is another \$13Million coming due. The full \$20Million has been drawn on GPA's line of credit which immediately converts to a loan. GPA now has this obligation that needs to be paid-off. GPA's interest rate has increased and the term is for 3 years. Management is struggling with alternatives to try to find another bank where they can convert this obligation to extend the terms to 5-7 years to make payments more manageable. The first large payment is due in Sept-Oct.

In overview, the Chairman said the reason the \$20Million was borrowed over a decade ago was because GPA failed to collect from GovGuam and didn't adjust LEAC. In the past 5 years, GPA has collected about \$20Million from GovGuam and he thought that the proceeds would be used to pay off this loan. He asked management if there was a way to link payments for GovGuam promissory notes to this obligation. Theoretically, if GPA collected from GovGuam 10years ago, they would not have borrowed the money. GPA not has received those funds from the Government but didn't pay down the credit line. In addition, GPA also charged interest, LEAC and its carrying cost. With all these sources of reimbursement, the \$20Million could have been addressed. He asked if some of the funds being recovered can be linked to pay off this obligation.

The CFO explained that GPA tried to link the Commercial Paper to the past due promissory notes but PUC instead linked the past due promissory notes to O&M expenses. The Chairman said that maybe management needs to revisit this with PUC because GPA now has this obligation to contend with; this was not the case before. There was discussion on other alternatives such as floating a bond or working with the local banks to give GPA a bridge loan until it floats its bond.

VIII. NEW BUSINESS

1. LEAC (GPA Resolution 2008-18)

The GM reported that on June 15th, another LEAC adjustment was filed in anticipation for an August 1st implementation; this has been postponed for a few weeks because of some transition with administration at PUC. Management does not know when the implementation will take place. He was told by the CFO that more than likely the implementation will be pushed back to October 1st.

The Chairman voiced his concern that the LEAC adjustment is supposed to take place every 6 months and the postponement may disrupt the pattern. He asked management to look into this to see whether there is any mention in the law about how long a LEAC adjustment can be postponed. He said that a delay by PUC does not help ratepayers. The GM pointed out that initially, the LEAC adjustment was scheduled in October but management petitioned the PUC to move it to February to avoid making the adjustments during the months of Oct-Nov but now it looks like it will go back to the initial schedule. *The Chairman recommended that management write a letter to PUC requesting that the existing management address the LEAC adjustment to prevent disruption of the cycle. The Chairman was concerned that if the LEAC was left with the new administration, it may delay it even further and will hurt ratepayers.*

The CFO then presented management's latest LEAC finding (no copy in Master File). At the recent rate proceeding, PUC made an amendment to GPA's fuel tariff. Prior to that, any carrying value changes (when price of fuel goes up) GPA must tie up more cash in its fuel inventory and is no longer available for other uses. This has really been hampering GPA's cash position. Historically, this type of recovery has to be recovered through base rates. In this most recent proceeding the PUC changed its position and said that this type of recovery should go through the LEAC. Based on this, the equation that will be used for this LEAC adjustment is the increase in carrying value from 10/1 through July 31 less the \$5.3Million for past due streetlight billings minus the over recovery for the period that is ending July 31. This number nets to a shortfall of \$7.2Million – this will be the starting balance. If nothing is done to the LEAC, this shortfall will grow to \$22Million. Management has requested the PUC to spread the change in carrying value (a significant number) over a 12 month period not a 6 month period. This will defer \$7Million of those cost to the next LEAC period which will leave GPA with a net under recovery of \$15Million. If you factor this under recovery into the LEAC from the existing 17.044 per kWh the new fuel recovery charge would be 19.235 per kWh.

Comm. Palomo said the public must be told / educated. Whenever the LEAC is adjusted it hurts the ratepayers and GPA must make them understand that the LEAC increase is not for salaries, off-island travel etc but for fuel. The Chairman added that despite all of GPA's best effort to explain the issue, some people will still perceive that the increase will be for higher salaries no matter what GPA says.

The Chairman questioned the projections that management used in its presentation. The CFO said that the projections are based on historical sales.

In recap the Chairman said that today GPA is paying 24-cents per kWh, of this, 17-cents is fuel. Almost ¾ of everyone's power bill goes to paying for fuel. None of this is going to operational cost – it is solely to pay for fuel.

Comm. Hara moved to approve Resolution 2008-18; Comm., Palomo seconded. There was no further discussion or objection and the motion passed.

2. RFP Update

The CFO said that this there were numerous RFP's that were released this summer and updated the Commission accordingly.

RISK MANAGEMENT - the GM said that GPA went with a very large firm to do an enterprise wide risk assessment and the current contractor was retained. Both proposers were selected to do a portion of the work.

CAUALTY / PROPERTY INSURANCE – the CFO reported that this was also released and will close the last week of August.

AUDIT – GPA's Audit contract with Deloitte ended and GPA is soliciting a new audit contract for FY08-10. Guam law specifies the Public Auditor makes the final selection.

ORGANIZATIONAL / MANAGEMENT ASSESSMENT – this is the RFP for the staffing study. It will be in excess of \$1Million and is required by the PUC before GPA can pursue any other base rate adjustments. It will include GPA and GWA.

IX. ANNOUNCEMENTS

1. Next CCU Meeting

The Chairman announced that the CCU meetings would move to the villages beginning in August. The next meeting would be on Wednesday, 8/13/08 in Agat. He asked management to have all division heads from both power and water available at these meetings. The business meeting would begin at 4 p.m. for either power or water issues and the community Q&A would begin at 6 p.m. and open for both power and water.

At this point, the GM asked the Chairman to allow the PIO to present the Palomo Power Project (copy not in Master File). This will also be offered as an interactive program at GPA's website.

X. EXECUTIVE SESSION - None


XI. ADJOURNMENT

With no further business to bring before the Commission, the meeting was adjourned at 7:10 p.m.

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Attested:


SIMON A. SANCHEZ II, Chairman


GLORIA B. NELSON, Secretary