



CONSOLIDATED COMMISSION ON UTILITIES

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

GUAM WATERWORKS AUTHORITY REGULAR BOARD MEETING & VILLAGE OPEN FORUM

Sinajana Community Center

4:00 p.m., September 9, 2008

MINUTES

I. CALL TO ORDER

Chairman Sanchez was off-island and in his absence, Vice-Chairman Eloy Hara presided. He called the meeting to order at 4:20 p.m. and announced that all (4) Commissioners were present and a quorum was established. Those in attendance included:

Commissioners:

Simon Sanchez	Chairman - Excused
Benigno Palomo	Vice-Chairman – GPA
Eloy Hara	Vice-Chairman - GWA
Gloria Nelson	CCU Secretary
J. Margaret Blas	Member

Executive Management:

John Benavente	GM, Consolidated Utility Services (GMCUS)
Kin Flores	GM. Guam Power Authority
Danny Santos	Asst. GM, Consolidated Administration
Greg Cruz	Chief Financial Officer, GWA (CFOGWA)
Don Antrobus	Chief Engineer (CE)
Andy Balajadia	Asst. GM Operations, GPA

Legal Counsel:

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

Management & Staff:

Cora Montellano	Asst. CFO, GPA
Jesse Lujan	Collection / Distribution, GWA
Paul Kemp	Asst. GM. Compliance/Safety
Joey Claveria	Asst. CFO
Becky Balajadia	RPU Supervisor
Geigy Salagon	Customer Service Supervisor
Heidi Ballendorf	PIO, GWA
Elaine Cruz	Personnel Services Administrator
Art Perez	PIO, GPA
Ron Okada	T&D Mgr., GPA
Gerald Paulino	GWA
Pam Aguigui	Chief Budget Officer, GPA
Sue Carbullido	Budget Office, GPA
Melinda Camacho	Engineering Mgr., GPA
Ben Carbullido	Ex. Office, GPA
Gabby Ignacio	GPA
Yvonne Cruz	Internal Audit, GWA
Edward Eclavea	GWA
Frank Aquino	GWA

Guest

Rick Unpingco Veolia

Lacee Martinez PDN

II. APPROVAL OF MINUTES

The Minutes of April 22, 2008 was presented for approval. Comm. Palomo referenced a section in the Minutes relating to a \$6.3 Million arrears from GovGuam for fire hydrants. The Minutes reflected that the Commission asked management to look into the matter and to come up with a plan to resolve / address this long overdue bill. Comm. Palomo asked the GWA CFO to give an update on status of hydrants. He was concerned re the lack of maintenance and requests that management determine the plan of action to address this issue.

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

III. GM (CUS) REPORT - NONE

IV. COMMUNICATIONS

1. Public Comments (2 min. per person) - NONE

V. NEW BUSINESS

1. GPA Resolution 2008-21: Cylinder Oil Contract – 3rd Year Extension

The GPAGM said the cylinder oil product is consumed in Cabras 3&4. The facility cannot operate without it. On 2 separate occasions, management presented to the Commission a contract amendment for the price per gallon; this proposal is similar in savings to the ratepayer. Although the price per gallon for the cylinder oil will be increased, Shell will give GPA an additional discount of 10% on all diesel purchases. Shell was the only bidder for cylinder oil and the contract may need to be amended later to index it with market price. The current market price has increased and the supplier is asking to increase the cost per gallon for the cylinder oil while offering a 10% discount for all diesel fuel purchases.

The AGMO added that this is GPA's 3rd and last extension of GPA's 4-year contract. The contract calls for \$6 per gallon but Shell is asking for an \$.85 increase. Shell will offset this cost by giving GPA a 10% discount (a .935 cent savings / \$145,000 savings for GPA). Management highly recommended approval of this resolution.

There was discussion on the possibility of combining purchases with other cylinder oil users to save on cost by volume purchases.

Comm. Nelson moved to approve Resolution 2008-21; Comm. Blas seconded. There was no further discussion or objection and the motion passed.

2. GPA Resolution 22-2008: Approval of Management Audit Contract

The GPAGM said that the Commission is aware that when GPA did its rate filing last year, PUC required that a contingency to the rates being approved, GPA is required to conduct a comprehensive management audit for both GPA and GWA. The Audit is requiring that a firm be selected to conduct a full scale broad based auditing of operations, org structure, staffing etc. The Commission approved in previous meetings that management approach the PUC for approval to do the RFO to select a firm that can conduct the study for the 2 agencies. He said this process / negotiation is complete. By virtue of procurement rules, he cannot divulge any pricing structure but did say that the general terms between the 2 agencies is less than \$700k. The resolution is asking the Commission for authorization to sign the Audit Contract upon PUC's review and approval.

The GM said this whole matter stems from the CTP implementation. There was public outcry and perception that GPA / GWA was overstaffed. He then reiterated why bench marking (as recommended by PUC's consultants) is not a proper way to determine staffing for power and water on Guam. He said that this is a positive thing because this study will determine where improvements can be made or what training is needed. He said it's a win-win situation for everyone and asked his managers to have an open mind.

He said there will be 3 phases to the Management Audit Assessment – Phase I will take 3 months and will determine immediate improvements to efficiency and how to gear up to prepare for this change. Phase II is a more in depth study and will show where capital improvements program & training should be emphasized etc. Phase III is the implementation of approved recommendations and following up that they are instituted and funded within a certain time frame. Phase IV is where consolidation efforts are reviewed and discussed.

The GM mentioned that the cost will be split between the 2 agencies - \$350k each. He said GPA has budgeted for this project and the GMCUS mentioned that GWA has not but will see what can be done to fund it.

Comm. Palomo asked that the resolution be amended to name the four (4) firms that submitted proposals and to name the most qualified firm – RW Beck, Black and Veach, Tanaguchi and Ruth and the selected firm of Virchow Krause.

Comm. Nelson motioned to approve the resolution as amended; Comm. Blas seconded. There was no further discussion or objection and the motion passed.

3. GWA Resolution 24-FY2008: Relative to Approval of FY09 Budget

The GMCUS said that he has worked with GWA employees for the past 2 years and in his opinion, GWA has reached new heights. There have been numerous improvements in operations and personnel to provide this very vital service to the island.

Some highlights mentioned:

- Revenues \$63.294 Million
- Expenses \$59.798 Million
 - Utility Purchases - \$20.706 Million
- Net Earnings (Loss) - (1.000 Million)

The GMCUS also requested approval to petition PUC for rate relief of 12.91% for water and sewer customers. He named as 2 major factors contributing to increased expense - energy costs which has risen 36% and water cost which has increased by 58%. These 2 factors alone represents 10% of the overall 12.91 rate relief request. The GMCUS gave a lengthy overview to justify the budget - a copy of his highlights is in Master File.

Comm. Nelson said the Commission has reviewed the budget in detail the day before and motioned to approve the resolution as noted; Comm. Blas seconded. There was no further discussion or objection and the motion passed.

VI. OLD BUSINESS

1. GPA Resolution 20-2008: Approval of FY09 Budget Resolution

The FY09 Budget was approved at the last meeting. The total revenue requirement was \$173K and the Commission ruled several things: to reduce the \$173k by \$2.5 million and credit the fuel inventory and reduce the LEAC by \$2.5 million. The resolution presented here recites this amendment. The other issue is that there is no longer a labor only budget and a non-labor only budget. The GPAGM now has the authority to transfer in and out of the 2 FERC account areas and will inform the Commission on a monthly basis as he recruits more and more people beyond the budgetary cash dollar limits. This has never been done before and he is satisfied that this is a positive change.

Comm. Palomo motioned to approve the resolution as noted; Comm. Nelson seconded. There was no further discussion or objection the motion passed.

VII. STAFF REPORTS – The staff reports were tabled.

1. Communication
2. Financial
3. Production & Treatment
4. Collection & Distribution
5. Asst. GM Consolidated Administration
6. Chief Engineer
7. Compliance & Safety
8. Human Resources
9. Legal

VIII. ANNOUNCEMENTS

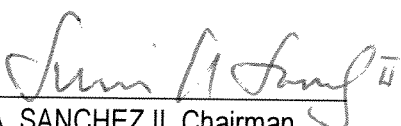
1. Next CCU Meeting: GPA – 9/23/08, Inarajan; GWA – 10/7/08, Tamuning


Vice Chair Hara announced that the next CCU meeting would be for GPA on 9/23 in Inarajan and GWA on 10/7 in Tamuning.

IX. ADJOURNMENT

With no further business to bring before the Commission, the business portion of the meeting adjourned at 5.25 p.m.

Attested


SIMON A. SANCHEZ II, Chairman


GLORIA B. NELSON, Secretary

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