



# CONSOLIDATED COMMISSION ON UTILITIES

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

**Regular Board Meeting**  
**CCU Conference Room**  
**Gloria B. Nelson Public Service Building**  
**5:30 p.m., January 27, 2015**

## MINUTES

### 1. CALL TO ORDER

Chairman Duenas called the regular meeting of the Consolidated Commission on Utilities to order @ 5:35 p.m. He said all (5) Commissioners were present and that there was as quorum. Others present include:

#### **Commissioners:**

Joseph (Joey) Duenas	Chairman
Francis Santos	Vice Chairman
George Bamba	Secretary
Pedro Guerrero	Treasurer
Simon Sanchez	Member

#### **Executive Mgmt.:**

John Benavente	GMCUS / IGM GPA
Tom Cruz	IGM / GWA
Melinda Camacho	AGMO / GPA
Randall Wiegand	CFO / GPA
Greg Cruz	CFO / GWA
Graham Botha	Staff Attorney / GPA
Sam Taylor	Staff Attorney / GWA

#### **Management & Staff:**

Ann Borja	Mgmt. Analyst / GWA Ex. Office
Vince Taitingfong	IT Mgr. / GPA
Vince Pangelinan	GWA
Jude Calvo	GWA
David Fletcher	GWA
Vince Guerrero	GWA
Zina Pangelinan-Charfauros	HR Admin. / GWA
Joe Claveria	GWA
Lisa San Agustin	Utility Services Admin. / GWA
John Cruz	SPORD Mgr. / GPA
Lou Sablan	Board Secretary

**Guest:**

Noel Enriquez	Brown & Caldwell
Fred Keller	IP&E
Tasi Peddicord	IP&E
Andy Niven	PUC

**2. APPROVAL OF MINUTES - None**

**3. GM (CUS) REPORT - None**

**4. GM REPORT / UPDATE**

**4.1 GPA**

The Interim GM gave an update on several current on-going events and highlights of certain operational information:

1. The move into this GBN Public Service Facility has been completed successfully. All of the planned GPA and GWA administration personnel have now relocated in. There is still work ongoing which will be a work in progress to fine tune and correct punch list items identified over time. The Power System Control Center computer system will be out to bids soon as we work to complete and have dispatching operations centered here by about the end of this year.
2. The Dedication of the GBN building is scheduled for January 28<sup>th</sup> from 10:30am to 12:30pm. Preparations are on-going to make this memorable event successful.
3. The termination of the Tanguisson Power Plant Contract with Pruvient has been completed successfully. All payments have been made to Pruvient and documents signed. GPA took over operating the plant on December 31<sup>st</sup>. We are currently draining the 15 mile pipeline in order to burn all fuel remaining. Our goal is to completely deactivate the plant by the end of January which will therefore be ahead of the April 2015 deadline for compliance with EGU-MACT.
4. The Phase II multi step bid for 45 MW of renewables has opened and eight (8) proponents submitted proposals. It is expected the successfully qualifying proponents will be advised within the next two weeks. Thereafter, proponents will then have about 6 – 8 weeks to prepare and submit their priced proposal. The plan is to bring the recommendation for contract of additional renewables later this calendar year.
5. Two senior managers retired within the past month. Mr. Simon Camacho retired as Power System Control (PSCC) Manager and Mr. Tom Borja retired as Facilities Manager. I have appointed Mr. Francisco Santos as acting PSCC Manager and have temporarily assigned facilities personnel under the T&D Manager.
6. The following summarizes the Net Metering Program for FY 2015.

**Net Metering (NEM) Customer Profile:**

Month	Oct-14	Nov-14	Dec-14
Customer Count	170	178	194
Total KW	1,920	1,999	2,269

GPA CY 2014 Peak Kw	249,000
<b>NEM % of Peak</b>	<b>0.9%</b>
Feeders with NEM	37
Total active circuits	69
<b>% Feeders with Renewables</b>	<b>53.6%</b>

7. The following summarizes energy production.

**Energy Production Profile:**

Description	Oct-14	Nov-14	Dec-14
Peak KW Demand	242,000	249,000	244,000
Average KW Load	194,000	200,000	201,000
Gross KWH Production	144,621,574	143,785,610	149,674,132
Average Heat Rate Kwh/Gal.	16.19	16.09	15.91

Description	Oct-13	Nov-13	Dec-13
Peak KW Demand	245,000	241,000	232,000
Average MW Load	193,000	197,000	195,000
Gross KWH Production	143,713,451	142,109,674	144,800,615
Average Heat Rate Kwh/Gal.	16.11	16.02	15.69

FY2015 Gross Kwh	438,081,316
FY 2014 Gross Kwh	430,623,740
FY 2015 % Increase	1.7%

The IGM mentioned that PUC will address combined cycle request at their meeting on Thursday.

Commissioner Simon confirmation of slight growth in kwh sales? Both the IGM and CFO confirmed yes and that it was initially flat. When inquiring the reason, Comm. Guerrero commented that a contributing factor is less outages due to consistent tree trimming and more efficient way of running the business. Comm. Simon said he would be interested to see the related data; IGM said he would prepare a report to show the trend.

#### 4.2 **GWA**

The IGM Cruz gave the following GM update.

##### 1. **TRAINING**

- The Apprenticeship Program is still ongoing to ensure GWA's existing employees have training opportunities.
- On January 20, a 4-hour New Hire Safety Orientation training conducted by Safety Inspector Supervisor Wade Tenorio was held with all 10 trades helpers.
- Under the PMO training per the PUC Order, there is 1 training day for CY2015 (Attachment No. 1 – PMO Training per PUC Order dated January 21, 2015).

##### 2. **COURT ORDER**

- The AGM of Compliance & Safety will provide the monthly report for the 2011 Court Order, along with USEPA's Significant Findings for Water.

##### 3. **OPERATIONS**

###### **WATER**

- **Meter Replacement:**

An estimated 34,375 badger meters (large and small) have been changed-out. Out of the 4,280 meters ordered, there are 1,720 remaining. (Attachment No. 2 – 2011 Court Order Meter Replacement Project Update dated December 22, 2014.)

## **WASTEWATER**

- **Hot Spots/CCTV and Flushing Progress Report:**

Of the 40 identified hot spots, pre-cleaning inspections and preventative maintenance cleaning were completed (Attachment No. 3 – Monthly Hot Spot Report for CY2014, Identified Hot Spots, and CCTV and Flushing Progress Reports)

5. **COMMUNICATIONS**

5.1 **Public Comments - None**

6. **LEGAL COUNSEL - None**

7. **NEW BUSINESS**

7.1 **GWA**

7.1.1 **Resolution 11-FY2015 / GPA 2015-01– Relative to Dec. 26, 2014 Holiday**

The Governor declared the Friday after Christmas a holiday through an executive order. The Commission approved through a poll vote to grant the holiday to GPA /GWA employees. Resolution 11-FY2015 / GPA 2014-01 ratifies this action.

Commissioner Bamba motioned to ratify the Commission's action to follow the Governor's Executive Order relative to December 26; Comm. Santos seconded . On the motion there was no further discussion or object and the motion passed.

7.1.2 **Resolution 12-FY2015 – Relative to Seeking CCU and PUC Approval to Exceed \$1M Threshold Under the Contract Review Protocol**

This resolution was tabled.

7.1.3 **Resolution 13-FY2015 – Relative to Core Tech Contract for Purchase of Polyaluminum Chloride (Pac) and the Contract with Total Chemical Resources for Purchase of Anionic Polymer and Cationic Polymer**

Interim GWA GM announced that a bid for new chemical vendors for 2 types of chemicals was released by management. Nine (9) interested parties picked up packets but only (3) submitted bids. The Evaluation Committee chose 2 with best pricing - Core Tech and Total Chemicals. With Resolution 13-FY2015, GWA is seeking approval for the chemical bid in the amount not to exceed \$1M (\$1,000,000.00) with both companies. He also stated that the bid called for an indefinite quantity contract which means that the total value of the contracts are not capable of being definitively calculated. Based on estimated usage, GWA anticipates the contract with Total Chemical will be \$412,004.70 and Core Tech will be \$517,132.00. He said that in the event that GWA believes it will exceed the \$1M threshold, management will approach both the CCU and PUC for approval.

In discussion the Chairman said that the CCU is looking for assurance that this contract will allow GWA to have the inventory of chemicals it needs to keep in line with the necessary mandates.

Commissioner Sanchez motioned to approve Resolution 13-FY2015 as presented; Comm. Guerrero seconded. There was no further discussion or objection and the motion carried.

7.1.4 **Resolution 14-FY2015 – Relative to Change Order for Bader Meter Contract**

Interim GM Cruz said this matter was discussed at the GWA work session. He said that with Change Order #7 for the Badger Meter Contract, GWA is looking to purchase 900+ meter for replacement of Metron meters and also wants to get meters at a value of 500k for new meter installs to be paid by internal capital funding. Resolution 14-FY2015 provides clarity of funding source identifying funding source as bond funds

(996k) and internally funded CIP's (500K)

There was a lengthy discussion regarding the matter of funding. Comm. Francis was concerned that the internally funded CIP's may not be realized in time for the payout of this procurement. Comm. Sanchez and Santos disagreed on whether or not the funds are going to be realized.

GMCUS Benavente commented that one way to resolve the issue is to split the purchase and only order \$900k which is covered by bond funds. Comm. Guerrero concurred to go with bond funds \$900k and spend this amount only to purchase the meters then come back later for the balance once the CIP is identified and firm.

This idea created another disagreement between CFO Cruz and Legal Counsel Taylor. They disagreed as to the use of bond funds; the Legal Counsel said that bond funds cannot be used for O&M expense. The CCU asked them to go back and figure it out.

Comm. Santos recommended adopting change order #7 amending page 2 by deleting lines 1-5 relative to internally funded CIP's. Comm. Sanchez concurred.

Comm. Sanchez motioned to adopt the amendment that was recommended by Comm. Santos deleting lines 1-5 on page 2; Comm. Bamba seconded. On the resolution as amended there was no further discussion or objection and the motion passed.

**7.1.5 Resolution 15-FY2015 – Relative to Authorizing the Ratification of Credit Card Charges And Reimbursement to Martin Roush**

Resolution 15-FY2015 was tabled

**7.2 GPA**

**7.2.2 Resolution 2015-02 - Relative to Broker Services & Pollution Liability Insurance**

The Pollution Liability Insurance protects GPA liability resulting from an oil spill at the GPA Fuel Tank Farm and fuel Pipeline which represents a true risk faced by the Authority. When GPA incurred a loss on the Toto Oil Spill in 2002, management determined that additional coverage should be sought in addition to the Authority's Excess policy. This type of coverage is highly sophisticated and there are limited markets where such coverage is available. AON insurance was the only broker to present a bid and GPA determined that the bid they submitted was responsive and responsible and they were capable of providing brokerage services for this policy since AON is the incumbent carrier. The new policy will be for a (3) year period with (2) options to renew for a (1) year period. The effective date of the coverage is February 10, 2015 and will cost \$316,878 for the (3) year period.

Comm. Santos motioned to approve Resolution 2015-02 as written; Comm. Guerrero seconded. There was no further discussion or objection and the motion passed.

**7.2.3 Resolution 2015-03 – Relative to Diesel Lubrication Oil Contract Extension**

GPA's current contract for diesel lubrication oil is in its last and final year., expiring on January 31, 2015. A new invitation for bid was released through adoption of Resolution 2014-13 by both the CCU and PUC on April 8, 2014 and May 29, 2014, respectively. The IFB was issued on June 26, 2014 and the solicitation was put on hold pending a bid protest by Napa Auto Parts on August 22, 2014. The procurement hold was lifted on Dec. 19, 2014 but will delay the commencement of the new contract beyond January 31, 2015. Resolution 2015-03 extends the current contract for an additional (3) months under the same terms and conditions. The total estimated cost for the extension is \$582,120 for the period February 1, 2014 – April 30, 2015.

Comm. Santos motioned to approve Resolution 2015-03; Comm. Sanchez seconded. There was no further discussion or objection and the motion carried with 4 ayes and 1 recusal by Comm. Bamba.

#### **7.2.4 Resolution 2015-04 – Relative to Concrete Pole Inventory**

After review of the current levels of concrete poles in its inventory, the Procurement Division has advised the need to order more concrete poles that will allow GPA to continue to replace rotten / damaged wooden poles and service new customers. GPA forecasts that they will need 200 / 35ft. and 400 / 45 ft. poles before the contract with their current supplier Benson Guam Enterprises expires. The value of this procurement is \$2,249,000.

Comm. Bamba motioned to approve Resolution 2015-04; Comm. Santos seconded. There was no further discussion or objection and the motion carried.

#### **7.2.5 Resolution 2015-05 - Relative to LED Lights**

GPA currently has 15,501 high pressure sodium streetlights around the island and they are seeking to become more energy efficient and save on operating and maintenance costs by upgrading the technology of these lights to LED lights. LED lighting will utilize much less energy, reduce demand on the system thus saving on annual maintenance and fuel costs estimated at \$1M annually. The total cost for the change out including labor, materials and equipment is about \$4.2M . over a 3-year period. In the first year of the program GPA will purchase about 5,200 fixtures at the cost of \$1.2M and utilize three (3) dedicated T&D crews to work full time on the change out. With Resolution 2015-05, GPA is seeking approval from the CCU to implement the LED Streetlight Replacement Program over a 3-year period and to purchase LED luminaires for FY2015 at a cost not to exceed \$1.2M.

Comm. Santos motioned to approve Resolution 2015-05 for discussion; Comm. Bamba seconded

In discussion the IGM Benavente said this resolution will allow changing out existing light to LED. And proposes to do project in stages. It was mentioned that Dept. of Public Works pays \$7.3M in revenues annually for streetlights. In expenses, GPA spends 1.7M for fuel and 700k for maintenance, annually.

Comm. Sanchez asked management to prepare an analysis that the CCU can take to DPW to make a case relative to cost; there was also related discussion relative to vehicle registration, the bidder and status of lights that are on all day. On the latter, IGM said that GPA crews are working on fixing not only this problem but repair of lights to get them back on all around the island

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

#### **7.2.6 Resolution 2015-06 - Relative to New Janitorial Service**

AGMO Camacho said that GPA's janitorial service contract starts this month and will include all of GPA's facilities – PSCC, Generation Administration, Central Maintenance at Cabras, T&D in Dededo and the GBN Public Service Bldg. in Fadian. She said it's a 3 year contract and the amount is over the GM's \$250k obligating authority.

Comm. Sanchez motioned to approve the resolution as presented and Comm. Bamba seconded. There was no further discussion or objection and the motion carried.

#### **7.2.7 Resolution 2015-07 - Relative to Merchant Banking Services**

The CFO explained that GPA has been working on an implementation of a new Customer Information System software called Customer Care & Billing. The Authority is nearing the end of its contract for Merchant Banking services relative to the acceptance of credit / debit cards payments over the counter and over the internet with the existing billing system. Management determined it should issue a new bid for its

Merchant Banking services to tie into the new software program and issued a bid for the next 3 years via a multi-step bid process. Two (2) proponents responded – Data Management resources and Paymentus Corporation. GPA determined that Paymentus was the most responsive and responsible bid capable of providing merchant banking services for (3) years with (2) options to extend for a (1) year period. They have over 350 utility clients within their nearly 1,000 client base in North America. The cost of the contract is \$300k per year or approximately \$900k for the 3-year contract period.

CFO Wiegand said GPA has been on month to month with a credit card and with CC&B coming on line he wants to make sure the Authority is ready. He added that this company says they have a way to charge on per transaction rather than percentage

Comm. Bamba motioned to approve Resolution 2015-07; Comm. Sanchez seconded. There was no further discussion or objection and the motion passed unanimously.

### **7.2.8 Resolution 2015-08 - Relative to Consent Decree Filing**

Because of the importance of this matter, the IGM chose to read through all the Whereas' s in Resolution 2015-08. USEPA initiated a series of regulations governing certain electric generating units including internal combustion units such as those at Cabras 3&4 and MEC 8&9 and steam generating units such as those at Cabras 1&2 and Tanguisson 1&2. GPA has estimated that bringing these units into compliance with these regulations would be very costly and would degrade the production efficiency of the plants.

The rules governing the Cabras 3&4 and MEC 8&9 generators are known as Reciprocating Internal Combustion Engine Maximum Achievable control Technology or RICE MACT and took effect on May 3, 2013. GPA estimates that it will cost \$240M to bring these plants to compliance. The penalty for non-compliance with the rules is \$37.5k per day per unit and GPA's potential liability for non-compliance now exceeds \$95M. GPA met with USEPA in April 2013 to propose that GHPA be allowed to pursue a consent decree wherein GPA would agree to construct new generation facilities which will be initially fired on Ultra Low Sulfur Fuel while it continued to explore the possibility of running the new plants and some existing GPA plants using liquefied natural gas (LNG) in return for a potential waiver of the fines and penalties due to non-compliance

The rules governing Cabras 1&2 and Tanguisson 1&2 are known as the Electric Generating Unit Maximum Achievable Control Technology or EGU MACT and take effect in April 2015 and would cost \$220M for compliance. GPA is reluctant to invest such a significant amount of money into steam plants that are 40 years old and are already much less efficient and reliable than other current technology

GPA has asked USEPA to include EGU MACT compliance into the proposed consent decree and to allow GPA to continue to operate Cabras 1&2 during the period of the consent decree

On October 27, 2014, the Consolidate Commission on Utilities approved Resolution No 2014-48 authorizing GPA to pursue 120 MW of dual-fired (Ultra Low Sulfur Diesel and LNG) combined cycle combustion turbine units with an option for an additional 60 MW and GPA has filed its petition to acquire 120 MW plus 60 MW of new combined cycle generation with the PUC.

Meanwhile, GPA continues to study the feasibility of constructing an LNG storage and regasification facility and running its units primarily on LNG and in addition is also exploring which of GPA's remaining units should be converted to LNG and these units might include MEC 8&9, Cabras 3&4, and TEMES CT.

One of the factors that has been affecting the decision making process related to the consent decree inputs has been the declining sales and demand experienced by the Authority. In response to the declining demand and sales GPA has recognized it does not need as much generation capacity to meets its reliability

targets and has requested and received authorization from the CCU to deactivate the Tanguisson 1&2 steam power plant and the Dededo 1 & 2 Combustion Turbine power plant. As soon as the new generation units are completed, GPA would expect to run them through a breaking in period and then deactivate the Cabras 1&2 power plant.

GPA's plan includes the deactivation of up to 264 MW out of its 352 MW base load capacity and between 128 MW and 207 MW of capacity converted to burn LNG fuel and such actions make this plan a very complex one which requires adequate time for implementation. In addition, GPA has no available interconnecting power grid from which it can purchase energy from to avoid the disruption of power, similar to what occurred in the early 1990s.

GPA is the sole electric utility for the civilian and military community on the island and ensuring reliability of systems throughout this conversion process is of paramount importance and therefore, GPA requests that USEPA consider a waiver of potential fines and penalties until September 2020 when all of the GPA generation units will be in full compliance with USEPA regulations.

The solar farm in Dandan is expected to come on line with 25 MW of solar capacity in 2015 and a wind farm in Dandan is expected come on line with 10 MW of wind capacity and GPA has plans for more than 85 MW of additional renewable energy capacity over the next five years which demonstrate GPA's commitment to clean energy.

GPA's decision to move from residual fuel oil (RFO) to cleaner burning fuel (Ultra Low Sulfur Diesel and/or LNG) will result in a substantial reduction of pollutants and particulates over the next several years. GPA believes its plan takes considerable effort to reduce the environmental impact from the utility over the next several years and therefore, the plan warrants the time required for implementation.

Depending on what happens over the next few years with other factors including future demand and sales, additional renewables, future pricing of load leveling battery storage, the effectiveness of GPA's demand side management program, etc. GPA will bring a recommendation to the CCU regarding the option for the additional 60 MW combustion turbine combine cycle unit; and

In November 2014, GPA met again with USEPA to discuss the impending consent decree and agreed to provide high level compliance timelines by January 30, 2015 to USEPA for inclusion into the proposed consent decree. GPA has developed a timeline which was presented to the CCU on January 20, 2015 and such presentation is (copy in Master File) sets forth high level targets which GPA believes can be met in order to achieve compliance with USEPA regulations.

GPA now seeks authorization to submit its high level planning timelines to USEPA for inclusion into the proposed consent decree.

Commissioner Sanchez asked if management is comfortable to state to USEPA that things will be in place in 3 years. The IGM / GMCUS Benavente responded that we all need to work together to make it happen and that yes he is comfortable

Comm. Santos asked what would happen if we just tell them no. Legal Counsel Botha said if we do that, management may as well consider receivership.

Comm. Sanchez motioned to approve Resolution 2015-08; Comm. Bamba seconded. There was no further discussion or objection and the motion passed.

**8. OLD BUSINESS - None**



9. **ANNOUNCEMENTS**

The Chairman announced that the work session dates are GPA on February 11 and GWA on February 18. The next CCU meeting would be on February 24.


Comm. Guerrero motioned to move the meeting to Executive Session; it was 7:40 p.m.

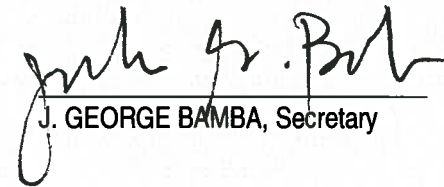
The meeting was moved back to Regular Session at 9:20 p.m.

10. **ADJOURNMENT**

With no further business to discuss, the meeting was adjourned immediately. It was 9:20 p.m.

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Attested:  
  
JOSEPH T. DUENAS, Chairman

  
J. GEORGE BAMBA, Secretary