



# 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., March 24, 2015**

## MINUTES

### 1. CALL TO ORDER

Chairman Duenas called the regular meeting of the Consolidated Commission on Utilities to order @ 5:36 p.m. He said all (5) Commissioners were present and that there was a 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
Cora Montellano	CFO (A) / GPA
Greg Cruz	CFO / GWA
Graham Botha	Staff Attorney / GPA
Sam Taylor	Staff Attorney / GWA

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

Paul Kemp	AGM Compliance & Safety / GWA
Paul Lujan	Equipment Superintendent / GWA
Geigy Salayon	Operations / GWA
Art Perez	Public Information Officer / GPA
Karen Grape	IT / GWA
Jude Calvo	GWA
Joyce Sayama	Mgmt. Analyst, Ex. Office / GPA
Heidi Ballendorf	Director of Public Affairs / GPA-GWA
Ann Borja	Mgmt. Analyst / GWA Ex. Office
Vince Taitingfong	IT Mgr. / GPA
Mark Miller	AGM Production & Treatment / GWA
Vince Pangelinan	GWA
Vangie Lujan	Compliance & Safety / GWA
Barbara Cruz	Chief Engineer (A) / GWA
John Cruz	SPORD Mgr. / GPA
Lou Sablan	Board Secretary

**Guest:**

Fred Horecky	PUC
Andy Niven	PUC
Nick Manley	HDR
Daniel Foth	CHA
Bill Gillman	Brown & Caldwell

**2. APPROVAL OF MINUTES**

The following GPA Minutes were presented for approval: February 24, 2014, December 11, 2014, November 12, 2014, October 27, 2014, and Sept. 27, 2014 and November 12, 2013

Comm. Bamba motioned to approve the Minutes of subject to verification & written correction. Comm. Santos seconded. There was no further discussion or written correction and the motion passed.

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

**4. GM REPORT / UPDATE**

**4.1 GPA**

The GPA IGM gave the following summary:

- The new customer information and system CC&B automatic disconnect feature has been turned off. The communication division and customer service are working together on a plan to proactively reach out again to all customers to update their information. Management will make a recommendation at a later date on what part of the system could be turned on automatically. Upon CCU approval, a public information campaign will precede the implementation date.
- We have received a second RFI from Lummus and are working on a response. We hope to complete our response back by next week. Copies will be provided to the CCU.
- The financial modeler of the Integrated Resource Plan financial model worked on island with our GPA team for two weeks to update the model and run various scenarios. As the CCU may have recalled this modeling is necessary in order to determine ways to smoothen the rate impact from different infrastructure and financing alternatives. We plan to discuss the modeling results at the April CCU-GPA workshop.
- The consent decree negotiations with USEPA related to compliance with EGU-MATS and RICE-MACT is set for Thursday, April 23<sup>rd</sup>, 2015. The meeting venue is the USEPA office in San Francisco.
- Guam experienced tropical force winds from Tropical Storm Bavi on March 14 to 15th. Most of the outages experienced were due to vegetation onto our lines most especially the transmission lines serving the Talofofu substation. GPA was back to normal operations by about midnight Monday March 16<sup>th</sup>. There were no major damages experienced in any of our power and substation facilities. A lesson learned report is being generated in order to help our future storm preparation efforts.
- A meeting of GPA and GWA personnel is scheduled this week to discuss the consolidation of operations and maintenance of the standby generators. The goal is to strengthen the operation and maintenance of these facilities to avoid disruption of water and wastewater services which could occur during power outages and storms. There is also a need to upgrade the standby generation at various wells and lift station as a result of changes in pumping requirements.

The CCU showed concerns over the CC&B customer billing and notification process; they feared that with the new auto disconnect system within CC&B, that customers may be disconnected without warning. Commissioner Simon said that before CC&B, protocols were in place where a list is created and then power is disconnected after customers have received a disconnection warning by mail followed by a another warning by phone . With the new CC&B system, customers are turned off automatically by the computer on the 46<sup>th</sup> day of nonpayment of bill. The Commissioners wanted assurance that ratepayers will be extended the same courtesy that exists currently. IGM Benavente said management will be cautious and will revisit program and make sure customers are continue to be appraised.

There was discussion on the allocation of cost for the new building i.e., debt service on cost of building water, power and other costs that are combined. The CCU was concerned that power and water were separate in the past but now that they are under the same roof, some thought must be taken to determine these factors because it is budget season and these matters must be taken into consideration internally because it these factors must be included in the budget. The Chairman said he started discussions with GWA's CFO already and will meet with GPAS's Acting CFO to develop a plan.

## **4.2 GWA - None**

## **5. COMMUNICATIONS**

### **5.1 Public Comments (2 min. per person)**

Mr. Jose Chargualaf a resident of Inarajan addressed the Commission. He was concerned about the daily trucking of sludge to the Lejon landfill and the related smell. He commented that the sewer treatment plant in Inarajan is antiquated and that only one ponding basin is working. He also asked if there were plans to upgrade water tank servicing the village. The Chairman said he will talk to GWA people to address some of his concerns and asked Heidi to take his contact information for further follow-up / discussion.

## **6. LEGAL COUNSEL - None**

## **7. NEW BUSINESS**

### **7.1 GPA**

#### **7.1.1 Resolution 2015-16: Relative to Fuel Farm Management & Operations**

Vital Energy has a 3-year base contract with GPA for the management operation and maintenance of GPA's Fuel Bulk Storage Facility; it expires in May 2015. Management has negotiated with Vital a reduction in the contract fee for the option years based on reduced fuel and reduced operating costs due to the deactivation of the Tanguisson Power Plant. Vital has offered an annual fee of \$673,775k for the 1<sup>st</sup> extension year and \$684,056k for the second option year resulting in overall savings to GPA of \$23,254k for the 2-year extension period. Management reported that Vital has provided satisfactory service completing the requirements of the contract and providing other fuel related support to GPA. Management is asking the CCU to approve the contract for the two option years allowing uninterrupted operations while providing GPA time to prepare for operational changes or capital investments at the facility related to the resource implementation plan.

Comm. Bamba motioned to approve Resolution 2015-16; Comm. Santos seconded. There was no further discussion or objection and the motion passed.

#### **7.1.2 Resolution 2015-17: Relative to Write-off Bad Debts**

Acting CFO Montellano explained that every effort is taken to minimize losses resulting from uncollectible accounts but the service nature of the utility industry makes it impossible to prevent such losses once an account has become inactive or disconnected. GPA has successfully brought its bad debt loss to a level that is consistent with the best utilities in the country. GPA has made it a practice to maintain the balance of three years' worth of accounts receivables from inactive customers in the general ledger. This does not mean that they can never be collected; processes are in place that will alert customer service when customers who have fallen into this category apply for new service wherein they will not be allowed to apply for a new account until the old account has been satisfied fully. The concept of writing off bad debts merely removes the balance of the AR and corresponding Allowance for Bad Debts from the balance sheets of GPA's financial statements. Management is asking the CCU to write off \$1,006,559k that is determined uncollectible. This includes \$216.774k in receivables from GWA that was incurred in 2004 during the acquisition and implementation of the Utility billing system. GPA fronted GWA's share of this expense under the existing MOU between GPA and GWA under the assumption that GWA would also implement Utility and reimburse GPA for its payment on their behalf. GWA never implemented Utility and now that a new billing system, Oracle's CC&B has "gone live" for both GPA and GWA, the receivable from GWA is now a moot point. Management confirmed that the \$1M expense was approved for write-off at the recent Audit. The benefit derived from this action would be the avoidance of an audit finding citing lapsed accounting practices.

Comm. Bamba motioned to approve Resolution 2015-17; Comm. Santos seconded. On the motion, there was no further discussion or objection and the motion carried unanimously.



### **7.1.3 Resolution 2015-18: Relative to DSM Feasibility Contract**

Resolution 2015-18 requests the CCU to approve the expense of \$430k to Leidos Engineering under its existing contract with GPA to develop the GPUC ordered Demand-Side Management (DSM) and Energy Efficiency (EE) Implementation Report and to assist with the implementation of the four DSM and EE programs namely – Central AC, Ductless AC, Washer and Dryer. GPA must file this report by August 24, 2015 and implement the four programs no later than July 31, 2015. The Guam Public Utility Commission Order of Nov. 20, 2012 ratified the prior expense of \$1.483M and further authorized GPA to expend up to \$1.115M for FY's 2012 – 2016 for Strategic Planning, Transmission Planning, Integrated Resource Plan and Regulatory Support for a total authorized cap of \$2.598M. DSM Program Feasibility and Design falls under the IRP scope of work. If this Task Order is approved the total expenditures under the contract will still be significantly under the authorized limit by \$585.3k. It was also mentioned by management that within the collaborative discussions between GPA, Lummus and the ALJ, it has been brought up that there is potential for petitioning the GPUC for use of 2014 Bond Funds for IRP services to fund the \$430k requirement and for potential subsequent reimbursement of those funds out of LEAC. Further, in these collaborative discussions, it was agreed that there is precedent for use of bond funds for similar tasks and for reimbursement under LEAC and requested that GPA file this request with the GPUC at its earliest.

Comm. Santos motioned to approve Resolution 2014-18; Comm. Bamba seconded. There was no further discussion or objection and the motion passed.

### **7.1.4 Resolution 2015-19: Relative to Award of Contract for Cylinder Lubricating Oil Supply**

GPA's current contract extension with IP&E Guam for Cylinder Lubrication Oil for Slow Speed Diesel Engine's is expiring on April 30, 2015. A new bid was authorized by the CCU and adequate public announcement followed. Six (6) proponents responded and all submitted their respective bids for consideration. Pacific Petroleum Trading Corporation (PPTC) was determined to be the lowest, most responsive and responsible bidder. The PPTC contract is for a period of 3 years – from May 1, 2015 – April 30, 2018 with (2) 1-year extension options renewable annually upon mutual agreement. The award contract is based on estimated supply quantities with estimated value of \$1.749.6M per year or a contract total of \$5.248.9M for the 3-year contract. This resolution asks the CCU for their approval; which will then move for petition to the PUC for their approval as well.

Commissioner Sanchez motioned to approve Resolution 2015-19; Comm. Bamba seconded. The procurement was considered a standard type of procurement and no further discussion or objection followed. The motion passed unanimously.

### **7.1.5 Resolution 2015-20: Relative to Procurement Legislation**

GPA submitted to USEPA a compliance plan relative to RICE-MACT AND EGU-MATS regulations. GPA is mandated to comply no later than Sept. 30, 2020. The compliance plan notes the following:

- GPA constructs up to 180MW combined cycle plant and commissions plant fired on Ultra Low Sulfur Diesel (ULSD) no later than September 30, 2019.
- GPA retires Cabras 1&2 Steam Plant (132MW) six months after commissioning of the combined cycle plant, but not later than March 30, 2020.
- GPA converts MEC 8&9 units (88MW) to ULSD within one year after the commissioning of the 180 MW combined cycle plant, but no later than September 30, 2020.
- GPA retires the Cabras 3&4 Slow Speed Plant (79 MW) within one year after the commissioning of the 180 MW combined Cycle Plant, but no later than September 30, 2020.

The penalty for non-compliance of RICE MACT is \$37,500 a day per unit. By April 15, 2015, the potential accumulated fines for Cabras 3&4 and MEC 8&9 power plants will be \$106.8 million. The penalty for non-compliance of EGU MATS is \$37,500 a day per unit. Beginning April 2015, the potential fines for Cabras 1&2 Units will begin to accumulate at \$37,500 a day per unit. The estimated cost for the combined cycle plant and related infrastructure may cost as much as \$400M which makes it imperative that GPA be allowed to get the best value at the least cost for the ratepayers; and

Management finds the current methods of procurement such as the multi-step bid and RFP process does not provide adequate flexibility to effectively procure the combined cycle plant and related infrastructure; the deadlines for compliance require a procurement process which will be expeditious, flexible and efficient and less subjected to delays from protests. Resolution 2015-20 requests the CCU work on revisions to the procurement code and submit the proposals to the GPA legislative oversight Chairman, Sen. Tom Ada.

**Comm. Sanchez motioned to approve Resolution 2015-20 for discussion; Comm. Guerrero seconded.**

In discussion, Comm. Sanchez wanted clarification that GPA will only request for this specific procurement stating his believe that if management limits the scope, the effort will be more successful. Comm. Santos asked if GPA Legal Counsel Both is leading this issue. Legal Counsel confirmed adding with the help of GMCUS / IGM Benavente. Comm. Sanchez asked management to give CCU initial feedback / thoughts at the April GPA work session.

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

### **7.1.6 Resolution 2015-21: Relative to Approval of Consulting Services for USEPA Compliance Plan**

By April 2015, GPA will be non-compliant with USEPA air emission regulations for all its baseload plants. GPA has met with USEPA and submitted a compliance plan in January 2015 to persuade USEPA to consider consent decree negotiations. Failure to comply with USEPA will subject GPA to stiff fines amounting to \$106.8M for its diesel plants. Resolution 2015-21 asks the CCU approval to petition the PUC to procure consulting, technical and engineering services to support GPA's USEPA Compliance Plan and approval for the use of \$1.050M in 2014 Bond Funds under the LNG Startup Project to pay for these costs. In addition, Resolution 2015-21 also asks the CCU approval to contract with MEC to perform fuel conversion and catalyst retrofit evaluation for Cabras 3&4

**Comm. Bamba motioned to approve Resolution 2015-21 for discussion; Comm. Sanchez seconded.**

In discussion Comm. Duenas asked management to be certain to include the scope of work to PUC so everything is clear. Comm. Sanchez commented that GPA needs to supplement our legal counsel expertise. GMCUS / IGM Benavente said he will put together task force to include community stakeholders and added that he will find a model that has been proven effective as a basis for this transition. Comm. Santos commented that this is such a huge contract – people are asking who it is for and cautioned management to be diligent and forthright.

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

## **7.2 GWA**

### **7.2.1 February 2015 Financial Highlights**

The GWA CFO Cruz reported that GWA's financial condition remains cautious. The agency is well within its debt covenants, however, water and wastewater revenues remain below targets.; total assets at February 2015 were \$602M and exceeded liabilities by \$178M. CIP's and related bond funds continue to show the most activity since FY2015; Acct. Receivable Trade increased \$1.2M or 8% during FY2014. \$1M represent active accounts and \$.2M inactive accounts; collection ratio was 94% compared to 98% for prior year; Acct. Payable was \$4.6M, a \$2.3M decrease from prior year end; Operating Revenues YTD were \$48M an increase in \$4M from FY2014;

There was a discussion on payables – the CCU wants to understand about the YTD Collection ration of 65% and asked the CFO to bring more detail for discussion to April work session.

### **7.2.2 Resolution 20-FY2015: Relative to Design of Northern and Southern Guam Reservoir**

GWA is currently working on critical reservoir projects under the 2011 Court Order and has advertised a Request for Proposal for the preparation of design plans and specifications for the Northern and Southern Guam Reservoirs.



This project includes site investigations and system evaluations at the Santa Rita, Santa Rosa, Inarajan, Sinifa and Ugum reservoir sites, development of design plans and specifications for various sized concrete reservoirs ranging from .2MG to 2.0MG nominal capacities, booster station upgrades, instrumentation and control upgrades, pip upgrades and other general site upgrades. (45) interested parties download RFP packages and GWA received (10) submitted proposals. The GWA evaluation committee generated a short list of the top (4) firms and determined TG Engineers to be the most suitable. GWA began negotiations with TG Engineers and negotiated the price for the services to be provided in the amount of \$2.532.580M. With Resolution 20-FY2015, GWA seeks approval of the fee proposed plus a 10% contingency bringing the total authorized funding amount to \$.785.838M. It was mentioned that the funding for this project would be from 2010 and 2013 Bond Funds

Comm. Santos moved to approve Resolution 20-FY2015; Comm. Sanchez seconded. There was no further objection or discussion and the motion carried.

### **7.2.3 Resolution 21-FY2015: Relative to Design of Central Guam Reservoir**

Resolution 21-FY2015 is similar to Resolution 20-FY2015 in scope and funding source but intended for the Central Guam Reservoirs which includes site investigations and system evaluations for the Hyundai, Pulantat/Manenggon, Chat #2, Tumon #1 and #2 and Piti reservoir sites, development of design plans and specifications for various sized concrete reservoirs ranging from .5MG to 2.0MG nominal capacities, booster station upgrades, instrumentation and control upgrades, control valve upgrades, pip upgrades and other general site upgrades. (45) interested parties downloaded the RFP packages and (9) firms submitted their proposals. GWA's evaluation team determined that GHD Inc. was the most responsive and reliable bidder and negotiated the price for the services to be provided in the amount of \$2.552.445M. Management is recommending approval to award the contract which includes a 10% contingency. The total authorized funding amount is \$2.807.689M and the funding source will be from the 2010 and 2013 Bond Funds.

Comm. Santos motioned to approve Resolution 21-FY2015; Comm. Bamba seconded. There was no further discussion or objection and the motion passed.

### **7.2.4 Resolution 22-FY2015: Relative to Design of SCADA Systems for Water and Wastewater Facilities Phase A1**

GWA was successful in completing the SCADA Master Plan with the intent to lay out a coordinated, prioritized sequence of SCADA Improvements to enhance operations, provide reliable and efficient systems, maintain desired service levels, contribute to protection of health and safety and achieve regulatory compliance. The SCADA project was divided into (3) main phases – Phase A – consisted of central SCADA infrastructure and high priority facilities which includes 210 GWA sites; Phase B consisted of adding second tier high priority facilities and Phase C consisted of adding additional instruments and equipment to the facilities already implemented with SCADA under Phase A&B. Due to funding limitations, GWA had to further separate Phase A into multiple implementations. Resolution 22-FY2015 is relative to the funding of Phase A1 – the first of these implementations. Phase A-1 consists of the Central SCADA infrastructure and 22 GWA facilities as described in the Scope of Work (copy in Master File). GWA released a Request for Proposal (RFP) and (41) interested parties downloaded packets; (6) of the (41) submitted proposals. GWA's evaluation team generated a short list of (3) proponents and determined that AECOM was the most reliable and qualified. GWA and AECOM entered negotiations and the scope and fee for the services to be provided was \$656.669k. Resolution 22-FY2015 requests approval of this amount plus a 10% contingency for overall authorized funding amount of \$722,359k. The identified funding source for this project will be from 2013 Bond Funds.

Comm. Santos motioned to approve Resolution 22-FY2015; Comm. Guerrero seconded.

In discussion Comm. Sanchez recommended amending Resolved section, point 6 adding "from Bond Funds" line 17 after the numeral \$656,690.

On the amendment, there was no objection and the amendment was adopted; On the motion as amended, there was no further discussion or objection and the motion carried.

## **8. OLD BUSINESS – None**

**9. ANNOUNCEMENTS**

**9.1 Next CCU Work Session / Meeting**

The Chairman announced that the next meeting dates would be a GPA work session on April 8, a GWA work session on April 15 and a CCU meeting on April 21.

There was a recess; it was 6:45 p.m. At 7 p.m. the meeting was called back to order and immediately moved to Executive Session.

**10. EXECUTIVE SESSION**

**10.1 USEPA Affordability Issues**

**10.2 Personnel Matters**

After executive session, the meeting was moved back to regular session; it was 7:40 p.m.

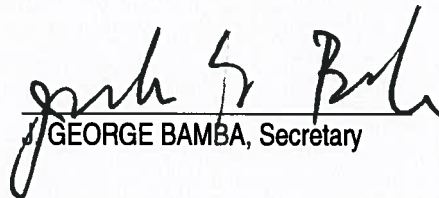
The Chairman called for a motion to approve what was discussed in Executive Session. Comm. Bamba motioned to approve; Comm. Sanchez seconded. There was no further objection or discussion and the motion passed.

**11. ADJOURNMENT**

With no further business to bring before the Commission, the meeting adjourned at 7:50 p.m.

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Attested:   
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JOSEPH T. DUENAS, Chairman

  
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GEORGE BAMBA, Secretary