



CONSOLIDATED COMMISSION ON UTILITIES

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

Regular Board Meeting
CCU Conference Room
Gloria B. Nelson Public Service Building
5:30 p.m., May 26, 2015

MINUTES

1. CALL TO ORDER

Chairman Duenas called the regular meeting of the Consolidated Commission on Utilities to order @ 5:30 p.m. He said all (5) Commissioners were present and that there was a quorum. Others present include:

Commissioners:

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

Executive Mgmt.:

John Benavente	GMCUS / IGM GPA
Mark Miller	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
Zina Charfauros	Personnel Admin. / GWA HR
Tony Chargualaf	AGM Collection & Distribution / GWA
Jude Calvo	GWA
Ron Topasna	GWA
Julie Quinata	Personnel Administrator / GPA HR
Rudy Manibusan	IT Mgr., (A) / GPA
Joyce Sayama	Mgmt. Analyst, Ex. Office / GPA
Vangie Lujan	Compliance & Safety / GWA
Gilda Mafnas	Asst. CFO / GWA
Geigy Salayon	GWA
Vince Pangelinan	GWA
Heidi Ballendorf	Director of Public Affairs / GPA-GWA
John Cruz	SPORD Mgr. / GPA
Kathy Beleno	Mgmt. Analyst / GWA Ex. Office
Lou Sablan	Board Secretary

Guest:

Mike White	CDM Smith
Nick Manley	HDR

Regina Regan	Resident
Sheree Vanderveld	Resident
Noel Enriquez	Brown & Caldwell

2. APPROVAL OF MINUTES

The Minutes of April 21, 2015 was presented for approval.

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

3. GM (CUS) REPORT

The Phase II renewables price proposals opened on May 26. Bids were received on Solar PV and Wind renewables. July is the target for CCU approval to provide our recommendation which is subject to both CCU and PUC approvals.

Typhoon Dolphin past through Guam on Friday May 15 with winds as much as 104mph in the north. The following summarizes the post typhoon recovery efforts and damages.

Relative to power:

- System Demand @ 12Noon Friday May 15th = 173MW
- Closest point of approach-Friday Evening
- System Demand Midnight Friday May 15th = 18MW
- Total Customers Friday May 15th -Pre-storm = 51,312
- Total Customers Tuesday May 26th -Post-storm = 51,218
- About 94 customers left many of which may not return.
- All crews were secured by midnight Sunday to allow employees to receive a well-deserved rest.
- Our fellow injured employee is out of ICU and recovering.

Relative to water:

- The restoration of water service was very good.
- The majority of customers had water during the storm and did not lose water service at all.
- Those out of water had water service restored within 3 days. Mainly those in high elevations experience a longer outage of about 5 days.
- Low water pressure issues improved as reservoir levels increased.
- The recently established SCC teams, working with key managers were instrumental in the coordinated recovery effort.
- A report on the typhoon activities and areas to improve on will be prepared for the next CCU meeting.
- Estimated cost impact of the Typhoon is about \$150K.

Chairman Duenas commented that all improvements made in the past made an impact which resulted in fast recovery

4. GM REPORT / UPDATE

4.1 GPA - None

4.2 GWA – IGM Miller said there was no change from the GM report he provided at the GWA work session on May 20.

5. COMMUNICATIONS

5.1 Public Comments - None

6. LEGAL COUNSEL- None

7. NEW BUSINESS

7.1 GPA

7.1.1 Financial Updates

Acting CFO Montellano provided the following summary in her financial report for April 2015 – the decrease in net assets for the month was \$0.2 million as compared to the previous forecast of \$2.5million at the beginning of the year. The total kWh sales for the month were 0.30% less than projected and non-fuel revenues were \$0.9M more than the estimated amounts. O&M expenses were \$7.2 million which was \$1.5Million under forecast. Other expenses such as interest expense, IPP costs, totaled \$4.3Million which was about \$.04Million less than projections. Additionally, it was reported that sales are still higher by 7% vs. PY; the LEAC over recovery is at 7.5M - an adjustment was reflected in March. Debt Service coverage is at .96.

There was discussion on the self-imposed Self Insurance Fund. The total for this restricted fund is currently \$19M and discussion followed on the possibility of removing this special surcharge for the billing. Comm. Guerrero asked if the \$20M amount is really what is truly needed for recovery. The CFO (A) said GPA is guided by a PUC order and the cap is \$20M.

7.1.2 GPA Resolution 2015-29 / GWA Resolution 27-FY2015 Relative to Class Standard for Chief Information Technology Officer

GPA Resolution 2015-20 / GWA Resolution 27-FY2015 requests the Commission to amend the classification standard of the Chief Information Technology Officer, the head of the IT Departments at GPA and GWA. The objective is to add GWA in the nature of work category and add a bachelor's degree in business administration under the minimum experience and training category of the Chief Information Technology Officer job standard. These additions will allow the utilities to utilize the job standard to employ a CITO position. It will also expand the range of experience and training to attract a pool of applicants with extensive experience.

In discussion the Commission discussed amending page 63, resolved section, line 17 adding after administration, "accounting, economics or other related fields".

Comm. Bamba motioned to accept the amendment; Comm. Sanchez seconded.

There was further discussion as to making this position an unclassified position. Comm. Sanchez debated that this position is not one of the top 5 key positions in the agency and it should be classified just like all the other current managerial positions. Comm. Santos disagreed saying that the General Manager must be allowed the flexibility to choose who they are comfortable working with and that this position should be unclassified. The debate was long and at the end it was decided to table the resolution given the sentiments discussed. The motions were retracted and the resolution tabled accordingly.

7.1.3 Resolution 2015-30 Relative to Energy Storage System Acquisition

This resolution asks the CCU approval to seek the services of an Engineer/Procure/Construct (EPC) or Design/Build (DB) contractor for the design, procurement and installation of a 40 MW Energy Storage System (ESS) at the GPA Agana Substation compound and interconnection to the GPA power system. The contractor shall design, procure equipment and materials, obtain required permitting, construct, install, interconnect, test and commission the project. This contract shall also include the design and construction of the interconnection of the ESS to the existing Agana Substation facility. The project is a "turn-key" project that will be fully operational upon commissioning and intends to enter into a 25-year performance-based Operations and Maintenance (O&M) Contract with the successful Bidder. The objective of this project is to help alleviate existing under frequency load shedding issues and support renewable energy integration.

Comm. Santos motioned to approve Resolution 2015-30; Comm. Bamba seconded. There was no further discussion or objection and the motion passed.

7.1.4 Resolution 2015-31 Relative to LEAC Adjustment

PUC established the Levelized Energy Adjustment Clause (LEAC) for the civilian customers to allow GPA to recover its fuel costs and fuel related costs under a factor which is reset and trued up every (6) six months. This request is for the Commission to authorize the management of the Guam Power Authority to petition the Guam Public Utilities Commission for a change in the LEAC rate from \$.102054/kWh to \$.117347/kWh for the period of August 1, 2015 to January 31, 2016, a 15% increase in the LEAC factor. The change in the LEAC factor would result in an increase of 7.63% of the total bill or \$15.29/month for a residential customer utilizing an average of 1,000 kilowatt hours per month. Such increase is necessary to recover the increasing price of fuel and the forecasted fuel handling costs. The market price of fuel in the last filing for the current period was projected to be \$60.94/bbl for the (6) six- month period ending January 31, 2016, the current projection for the same period is \$65.84/bbl and the projected price of fuel for the period ending July 31, 2016 is \$68.04/bbl. These projections may change as we present this resolution before the CCU on its next May 2015 meeting, hence we will update the LEAC model to reflect the most current forward prices

Comm. Guerrero motioned to approve Resolution 2015-31; Comm. Santos seconded. There was no further discussion or objection and the motion passed.

7.1.5 Resolution 2015-32 Relative to Renewable Phase III GPA – DOD Partnership

Navy and GPA have agreed to cooperate in identifying potential military lands allowing both parties to meet renewable energy goals. Navy released a draft Environmental Assessment (EA) for public comment on May 8 fulfilling one of several milestones towards a lease agreement with GPA. The draft EA has identified approximately 192 acres with potential of combined energy capacity of 43.8 MW. Power purchase agreements for this capacity would exceed GPA's contracting authorization of \$1.5 million requiring PUC approval of solicitation documents. GPA would like to initiate PUC approval so potential bidders may be able to take advantage of the Investment Tax Credit which allows 30% tax credit of solar photovoltaic project costs before it expires on December 31, 2016. Navy property identified for potential PV sites include four sites in Northern Guam (South Finegayan, former Tumon Tank Farm, Harmon Booster Station, and Harmon Annex) and four sites at Naval Base Guam. These properties are being considered for up to 37 years lease to GPA. Sites may be removed during Navy lease process. The cost for this project will be determined by bid process. GPA has projected the following bid and construction schedule. GPA believes that there may be opportunities to improve on this schedule through accelerated or parallel efforts in approval processes, negotiations, and contractor design and construction activities to meet December 31, 2016 deadline for Investment Tax Credits. Note that this schedule allocates 93 days for PUC approvals. If GPA can significantly reduce regulatory approval time or obtain approvals in parallel with other activities, then GPA may meet 2016 calendar year completion date.

Comm. Bamba motioned to approve Resolution 2015-32; Comm. Guerrero seconded. There was no further discussion or objection and the motion passed.

7.2 GWA

7.2.1 Financial Updates

CFO Greg Cruz reported on the April 2015 Financials; Total operation revenues are 228k short of projections. Relative to expenses both water and power purchases are below budget; the largest unfavorable balances are in capitalized labor, depreciation and interest expenses. Debt service coverage is 2.62 inclusive of reserves.

7.2.2 Resolution 28-FY2015 Modification of Construction Mgmt. Svcs. Chaot / Agana Heights Reservoir

The objective of this modification is to increase the funding authorization for the project Construction Manager to cover CM services for the period of October 18, 2014 to August 31, 2015 (260 working days; not including 11 Government of Guam holidays and 46 Sundays). CM services are necessary as the CM oversees the construction activities on behalf of GWA thus to continue the concrete tank construction project requires a CM on board. The need for additional services is due to delays by the construction contractor. The Construction Management services are for the construction activities related to the Chaot 0.5 MG tank located in the village of Chalan Pago and the Agana Heights 0.5MG tank located in Agana Heights. The modification to the CM services contract will increase the funding amount by Four Hundred Sixty Eight Thousand Dollars (\$468,000.00). With an additional ten percent (10%) contingency of Forty Six Thousand Eight Hundred Dollars (\$46,800.00), the total funding amount will be Five Hundred Fourteen Thousand Eight Hundred Dollars (\$514,800.00). The CM service is anticipated to be completed at the same time all construction activities are completed or by August 31, 2015. See Exhibit A as part of the resolution. The funding source will be Internal Funded CIP with PW 12-04 and PW 05-05 as alternate sources. It should be noted that GWA intends to assess Liquidated Damages to the construction contractor from which funds related to the LD will reimburse the funding source uses.

Comm. Bamba motioned to approve Resolution 28-FY2015; Comm. Santos seconded. There was no further discussion or objection and the motion passed.

7.2.3 Resolution 29-FY2015 Modification of Construction Mgmt. Svcs. System Meters Project Phase I

The objective of this modification is to increase the funding authorization for the project Construction Manager to cover CM services for the projected period of June 17, 2015 to September 30, 2015 (106 calendar days). CM services are necessary as the CM oversees the construction activities on behalf of GWA thus to continue the installation of the system meters project requires a CM on board. The need for additional services is due to delays by the construction contractor. The Construction Management services are for the construction activities related to the installation of system meters at various locations within the GWA water distribution system. The modification to the CM services contract will increase the funding amount by Seventy Nine Thousand Five Hundred Dollars and Zero Cents (\$79,500.00). With an additional ten percent (10%) contingency of Thirty Thousand Seventy Two Dollars and Thirty Eight Cents (\$30,072.38), the total increase funding authorized will be One Hundred Nine Thousand Five Hundred Seventy Two Dollars and Thirty Eight Cents (\$109,572.38). The CM service is anticipated to be completed at the same time all construction activities are completed or by September 30, 2015. The funding source will be Internal Funded CIP with PW 05-16 as alternate sources. It should be noted that GWA intends to assess Liquidated Damages to the construction contractor from which funds related to the LD will reimburse the funding source uses.

Comm. Bamba motioned to approve Resolution 29-FY2015; Comm. Guerrero seconded. There was no further discussion or objection and the motion passed.

7.2.4 Resolution 30-FY2015 Ratification of Services by SmithBridge

The objective is for GWA management to seek ratification from the CCU for crane rental services. Under Section 5452 of Title 5 of the Guam Code Annotated the CCU has authority to ratify the procurement of goods and services if there is no indication that the person was awarded the procurement acted in bad faith and there is finding that the procurement is for GWA's use and is in the best interest of the people of Guam, for the work provided to Water operations for the repairs of deep wells deemed critical for maintaining water services by SmithBridge under purchase orders nos. 295673 and 295482 from January 16, 2014 to June 10, 2014. During this period, the purchase orders inadvertently exceeded the amount by \$19,050.00.

The urgency is for the CCU to authorize GWA management to pay the exceeded amount owed between GWA and SmithBridge.

Comm. Santos motioned to approve Resolution 30-FY2015; Comm. Bamba seconded.

In discussion, Comm. Santos asked if Line13, on page 2 is necessary. Legal Counsel Taylor responded that this statement was necessary according to statute.

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

7.2.5 Resolution 31-FY2015 Ratification of Payments to Brown & Caldwell

On February 6, 2012, GWA executed a five year contract with Brown and Caldwell in an amount not to exceed Three Million Two Hundred Thousand Dollars (\$3,200,000) and the signatories to this contract included Ray Matasci on behalf Brown and Caldwell, GWA General Manager Martin Roush, GWA Chief Financial Officer Greg Cruz and GPA's Legal Counsel Graham Botha. Since the original contract has been signed, GWA has sought and received approval from both the CCU and PUC for four (4) additional contract modifications to the PMO Contract which are detailed below:

Date of Resolution	CCU RES. No.	Amount	PUC Approval Date	Amount
Dec 12, 2011	2011 -63	\$3,200,000	January 11, 2012	\$3,200,000 (original)
Aug 28, 2012	53 – FY2012	\$1,200,000	Dec. 11, 2012	\$1,200,000
June 25, 2013	34 – FY2013	\$2,166,154	Dec. 30, 2013	\$2,166,154
Jan 28, 2014	07 – FY2014	\$3,199,493	July 31, 2014	\$3,199,493
Sept 23, 2014	37 – FY2014	\$2,458,315	Dec. 29, 2014	\$1,913,390
Total				\$11,679,037

No work under a change order or contract price modification in excess of Five Thousand Dollars may be undertaken without first obtaining certification of funding for the change and GWA allowed Brown and Caldwell to perform work without first obtaining the required certification of funding. However, work performed by Brown and Caldwell was performed in advance of Change Orders or other contract modifications being prepared and certified for funding and this issue was noticed by GWA's Accounting Division when Change Orders No. 4 and 5 were delivered to finance for certification. The total value of the work authorized to proceed without certification of funding is \$985,195.51. Part of the work provided involved formal training of GWA personnel; design management and subject matter expertise services related to the Agat Santa Rita WWTP Replacement project; project management support for various CIP projects funded with USEPA State Revolving Funds; supporting GWA with Water Quality Standards (WQS) monitoring and other related tasks to implement the recommendations of the Umatac-Merizo Wastewater System Evaluation Report and associated Supplemental Report; as well as provide GWA support in evaluating the available design alternatives and provide a 10% conceptual design for a wastewater pumping and conveyance system from the Baza Gardens WWTP to the proposed Agat-Santa Rita WWTP. The work completed is important because three of the work authorizations are tied to the USEPA Court Order, one of the work authorizations helps GWA meet the State Revolving Fund project deadlines and the final work authorization focuses on improvement GWA personnel through formal training efforts; and

Comm. Sanchez motioned to approve Resolution 31-FY2015 for discussion; Comm. Bamba seconded.

A lengthy discussion followed. The CCU asked if USEPA was informed about this matter. The Commission said the message should have been channeled thru the chain of command through management or CCU. Comm. Santos asked what the normal timeline is to pay a bill like this – management's response was less than 90 days. Comm. Santos stated that if management sees a delay and there's no agreement then it should have been brought up to the Commission adding what comfort will the CCU be given that this will not happen again – it seems that the (3) management teams that are in place could not make a decision which resulted in this recourse.

Chief Engineer Cruz explained the timeline again saying that the bottom line is the Change Order was not signed.

The Commission stated that from now on, the management team is held accountable for any mis-steps on their subordinates. Comm. Guerrero said there shall be no more ratification. GWA's management team needs to fix this problem.

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

7.2.6 Resolution 32-FY2015 Amendment of Classification Standard for GWA Controller Position

Resolution 32-FY2015 is to amend the classification standard of GWA's unclassified controller position. The changes will allow GWA to identify the minimum requirement needs, as well as the expected work to be performed which is indicated in the illustrative work examples. This will also provide a succinct classification standard allowing GWA to effectively recruit and provide management, leadership and sound fiscal guidance and practices within the Fiscal Department benefiting the entire Authority.

Comm. Santos motioned to approve Resolution 32-FY2015; Comm. Bamba seconded.

In discussion, it was mentioned that the controller position is GPA is unclassified.

Comm. Sanchez motion to amend line 18, page 1 to state job description; Comm. Santos seconded.

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

8. OLD BUSINESS

8.1 GPA

8.1.1 Resolution 2015-24 Annual Maintenance Fee for Smartworks Meter Data Management

The Smartworks Meter Data Management System collects meter data for GPA's Customer Information System (Customer Care & Billing). It provides the depository of all GPA meter data, advance analytics of meter VEE processing and AMI data collection system performance monitoring, VEE (validation, estimation, editing), dashboard summary, dashboard for events and status. This Annual Maintenance fee is necessary to provide regular updates and support for issues encountered by the system. The cost up for CCU approval is \$241,752.63 for the next three (3) years. If approved, the total amount of contracts to SmartWorks for MDMS will increase to \$915,523.63. This fee is for the Annual Maintenance of the software. The Annual Maintenance is recurring cost for as long as GPA utilizes the software. This request is to cover a three (3) year period. The funding source for this cost will come from GPA's Operations and Maintenance annual budget and it is an amendment to an existing contract.

Comm. Bamba motioned to pass Resolution 2015-24; Comm. Sanchez seconded. There was no further discussion or objection and the motion passed.

8.1.2 Resolution 2015-25 Annual Maintenance Fee for Smartworks E-Portal

Smartworks E-Portal provides GPA Customers access to their meter data including KWH consumption from their Smart meters. This Annual Maintenance fee is necessary to obtain regular updates and support for issues encountered by the system. The cost up for CCU approval is \$118,091.00 for the next three (3) years. If approved, the total amount of contracts to SmartWorks will increase to \$484,126.10. This fee is an amendment to an existing contract for the Annual Maintenance of the software for the next 3 year and is budgeted annually in the Operations and Maintenance budget. The Annual Maintenance is recurring cost for as long as GPA utilizes the software.

Comm. Bamba motioned to approve Resolution 2015-25; Comm. Santos seconded. There was no further discussion or objection and the motion passed.

8.1.3 Resolution 2015-28 Relative to Merchant Banking

GPA's contract for merchant banking services under which it has been able to accept credit and debit card payments over the counter and over the internet with the existing billing system has expired and GWA's contract will soon expire. GPA, in the last four fiscal years, has incurred an average of \$1.3M in collection fees related to payments made through debit and credit cards and GWA has incurred about \$200K for each of the past two fiscal years. GPA issued a bid merchant banking services for the next three years via a multi-step bidding process. After reviewing the bid submissions management was unsuccessful in obtaining a more reasonable and favorable rate structure for its merchant banking/electronic payment. GPA determined that it would be in the best interest of both GPA and GWA to re-issue this bid in order to contract for both utilities. GPA is now requesting to issue a Multi-Step for Merchant Banking/Electronic Payment Services for both GPA and GWA. The cost of these services is estimated to be in excess of \$1.5M per year or \$6.0M over the anticipated contract period of two years plus the optional two additional one-year terms. GPA Interim General Manager recommended that a Multi-Step Bid be re-issued to procure the Merchant Banking/Electronic Payment Services as soon as possible

GWA's contract with DMR expires in July. GPA wants to release bid for 2 year with 1 option year and will break online, site payment and combo to see if we can get best price. GWA asking to proceed with multi-step bid and to petition PUC for approval

Comm. Bamba motioned to approve Resolution 2015-28; Comm. Guerrero seconded. There was no further discussion or objection and the motion passed.

GWA

8.2 GWA

8.2.1 Resolution 26-FY2015 Approval of BOG Short-term Loan Extension

GWA is asking the CCU approval to enter into an extension of the \$25M (5-Year) Promissory Note that is due upon maturity on June 15, 2015 from a \$30M short-term financing loan to GWA authorized by 12 G.C.A. Section 14235, CCU Resolution No. 20-FY2009 dated July 1, 2009 and PUC Order dated July 27, 2009.

The terms and conditions are:

- 1) the extension of the Note must not interfere with GWA's ability to issue bonds or other necessary financings during the term of the extension;
- 2) the final maturity shall be no later than June 15, 2020;
- 3) the interest rate shall be reduced from the current rate of 7.75% to 5.25% per annum and shall remain fixed at such rate for the term of the extension period;
- 4) the terms and conditions shall not conflict with the original Loan Agreement except as stated herein;
- 5) the terms of the extension do not conflict with Guam law and prior approvals provided by the CCU and;
- 6) the adoption by the PUC is obtained on the final terms and conditions of extension.

Comm. Santos motioned to approve Resolution 2-FY2015; Comm. Bamba seconded. There was no further discussion or objection and the motion passed.

9. ANNOUNCEMENTS

9.1 Next CCU Work Session / Meeting

The Chairman said that there is an executive session and asked for a motion.

Comm. Bamba motioned that the meeting be moved to Executive Session; Comm. Guerrero seconded

The Chairman said there will be a 5-minute recess before Executive Session; it was 7:30 p.m.

10. EXECUTIVE SESSION

1. Personnel Matter

The meeting was called back to Regular Session at 8:15 p.m. At that time the Chairman said that the meeting has been moved back to regular session and needs a motion

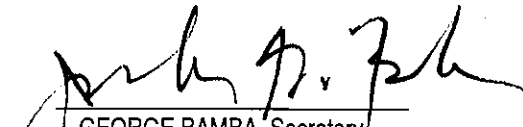
Chairman Santos said he would like to make a motion that the Chairman will work with and authorize the GM's of both GPA and GWA respectively, and for the purposes of recruitment, will authorize the to expend no more than \$25k total; Comm. Sanchez seconded. There was no further discussion or objection and the motion passed unanimously.

11. ADJOURNMENT

There was no further business to bring before the Commission; the meeting adjourned at 8:45

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Attested: 
JOSEPH T. DUENAS, Chairman


J. GEORGE BAMBA, Secretary