



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., April 26, 2016

MINUTES

1. CALL TO ORDER

Chairman Duenas called the Regular Meeting of April 26, 2016 for GPA and GWA to order at 5:30 p.m. He announced that all five (4) Commissioners were present and there was a quorum. Those present include:

Commissioners:

Joseph T. Duenas	CCU Chairman
Francis E. Santos	CCU Vice Chairman
George Bamba	CCU Secretary
Pedro Guerrero	CCU Treasurer
Simon Sanchez	CCU Member

Executive Mgmt.:

John Benavente	GM / GPA
Miguel Bordallo	GM / GWA
Melinda Camacho	AGMO / GPA
Greg Cruz	CFO / GWA
John Kim	CFO / GPA
Graham Botha	Staff Attorney / GPA & GWA

Management & Staff:

John J. Cruz	Manager SPORD / GPA
Paul Kemp	AGM Compliance & Safety / GWA
Dave Fletcher	GWA
Lisa San Agustin	Utility Services Administrator / GWA
Ron Topasna	GWA
Art Perez	Public Information Officer / GPA
Melvyn Kwek	Chief Information Technology Officer / GPA
Karen Grape	IT / GWA
Vangie Lujan	Compliance / GWA
Heidi Ballendorf	Public Information Officer / GWA
Julie Quinata	Personnel Services Administrator / GPA
Sandi Perez	HR / GPA
Joyce Sayama	Mgmt. Analyst / GPA Ex. Office
Kathy Beleno	Mgmt. Analyst / GWA Ex. Office
Lou Sablan	Board Secretary / CCU

Guest:

Fred Horecky	PUC
Andy Niven	PUC
Anjelica Perez	AM Insurance
George Watson	Brown & Caldwell
AJ Layson	TG Engineers
Nestor Licanto	KUAM
Bill Chang	Brown & Caldwell
Kurt Bilz	Brown & Caldwell

2. **APPROVAL OF MINUTES**

The Minutes of March 22, 2016 was presented for approval.

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

3. **GM REPORT / UPDATE**

3.1 **GPA** – No report

3.2 **GWA**

“One Guam” Initiative – GWA and DoD NAVFAC

- TMW License Agreement:
 - MOU is complete. Final license is ready for GWA to sign. Submitting Resolution 29-FY2016.
 - Signing ceremony has been suggested for May 5, 2016 (maybe June), pending confirmation from Navy. We hope that the One Guam logo will be ready.

There was discussion on the logo to move Guam to left and Navy on right. Comm. Sanchez recommended that GWA ask artist to move logo to left and then present it to military for consensus.
- Exhibit A to MOU Edits/ Updates:
 - Tumon Maui Well:
 - GWA will continue to meet with joint DoD-GWA quarterly meeting status review of the TMW. Checklist will be developed and agreed upon by GWA and DOD personnel involved in the quarterly reviews prior to the first quarterly review.
 - Route 3 and Potts Junction Connection:
 - GWA is finalizing the design of the Potts Junction Connection.
 - GWA Public Affairs Office will provide a joint-venture logo for all GWA-NAVY ventures. The logo will be affixed on signs placed at TMW and all future joint projects. Two options have been developed and sent to Navy for input.
- TMW Startup and Operation Testing Plan:
- TMW pumping tests were completed with no problems. The first pumping test moved water into the TMW holding tank and then into the GWA sewer system. GWA requested to know the pump rate used.
 - No contaminants were detected.
 - TMW permit pumping rate is 900 gpm, but the license agreement sets the maximum pumping rate at 800 gpm. Pumping rates of the TMW pumps were requested to be verified.
 - GWA will place on standby four (4) wells (800 gpm) after the TMW is operational
 - A USGS study may have recommended lower pumping rates based on theoretical models to maintain the aquifer, but the TMW's one-year license will allow GWA to explore higher draws from TMW.
 - Navy and GWA will continue to monitor wells, adjust water quality and track system data to ensure maintenance of the aquifer. If needed, TMW draw can be reduced.
- At the AWWA-HIWPS Water Conference held on April 11-12 at the Guam Lotte Hotel, the “One Guam” Forum was presented. The TMW was highlighted as a proof of concept for future integration of the GWA and DOD water systems. The panel consisted of CCU Chairman Joseph Duenas, Captain Stephanie Jones, GWA GM Miguel Bordallo, and NAVFAC Marianas Engineer Armando Abad.
- GWA and DOD will be working on a combined community drought outreach to address the potential issues related to the drought.

GIAA Water System

- GWA and GIAA Management conducted a 2nd meeting regarding an updated operating agreement.
- GWA provided preliminary cost information for system operation to GIAA; additional detail was requested for cost elements identified; GWA is working on assembling the detailed information.
- GIAA provided a list of their tenants served by the GIAA water system; GWA is vetting the data to confirm all connections, billing issues, and associated costs/revenues.
- GWA operations is comparing internally developed facility corrective maintenance list against GIAA list.
- GWA operations personnel have submitted security clearance applications for unescorted access to water system facilities within the AOA.

- GIAA and GWA still working on the following issues:
 - Compliance responsibilities to be clarified
 - Metered connections
- GWA is working with GIAA to examine feasibility of proposed additional reservoir site for GWA Court Order project; options were developed at the last meeting and GIAA is verifying if they are suitable and will work with their planned terminal expansion.

There was discussion about the water tank across Home Depot. GM Bordallo said that the plan is to keep it running until the new tank is operational then assess (inspect and evaluate) its further use.

Comm. Guerrero asked how much it cost to operate the GIAA system last year. Are our costs being recovered – the GM said yes he believes GWA is more than recovering its cost. The Chairman said this would be a good report to provide the Commission once all the data is collected.

Comm. Bamba asked if all customers that were hooked up to the GIAA system are now under GWA? GM said there are a couple of accounts being served by their system that they are not aware of and have had request from other customers to hook up to the GIAA system when GIAA is not interested to do. GM said they are looking into this. Comm. Bamba said that the goal is to get everyone off GIAA and into GWA as official customers.

It was discussed that the FAA recommended that GWA's secondary tanks (currently operational to support GIAA) be taken down but GIAA indicated that they would prefer to keep them operational as backup / emergency. GM Bordallo said this is still in the discussion stage. The timeframe is sometime before summer.

USEPA Projects

- Summary of all SRF grant funded projects are included as Attachment A
- Design projects (11 total):
 - 1 project completed (ND SSES & I/I)
 - 5 projects underway
 - Asan-Adelup Sewer Rehab/Replacement
 - Agat Sewer Rehab/Replacement
 - B&C Proj. Management
 - WRMP Update
 - Rte. 4 Relief Sewerline Rehab/Replacement
 - 5 projects in procurement
 - 1 in negotiations – Water Hydraulic Model
 - 2 in contract finalization
 - Groundwater Wells
 - Tumon Sewer Hot Spots
 - 2 out for RFP; proposals due April 28th
- Design-Build projects (7 total):
 - 1 projects in procurement package development – Macheche Hill Sewer Rehab
 - 1 project pending award – Sewer PS Backup Power
 - 2 projects in procurement – advertised, pending proposals
 - Critical Sewer Pump Stations
 - Sewer Pump Station High Water Alarms
 - 1 project (CM) in procurement package development - Macheche Hill Sewer Rehab
 - 2 projects (CM) in procurement
 - Critical Sewer Pump Stations
 - Sewer Pump Station High Water Alarms
- Construction projects (6 total):
 - 1 project underway – Southern SSES/Rehab (Agat-SR-Umatac-Merizo)
 - 2 projects in procurement package development
 - Southern SSES/Rehab (Baza Gardens-Talofoto)
 - GW Well Rehab (D & M Wells – 5)
 - 2 projects (CM) under contract
 - Southern SSES/Rehab (Agat-SR-Umatac-Merizo) on going
 - GW Well Rehab (D & M Wells – 5) – pending construction start

- 1 project (CM) in procurement package development - Southern SSES/Rehab (Baza Gardens-Talofofo)

Comm. Bamba recommended that management get bids out because it may be difficult to find contractors once the DoD projects are ready because GWA is small compared to the military.

Court Order

- Performance Summary report (see Compliance Division Report)
- Out of 90 Total items
 - 68 completed
 - 11 items on schedule
 - 11 items delayed
 - SSES (2 items)
 - Agat/SR System Upgrades (3 items)
 - Baza Gardens
 - Sewer Cleaning
 - CCTV
 - CI Residual Monitors
 - Meters
 - Sinajana Waterline
 - No overflow or Bypass event reports had to be provided to USEPA

Comm. Guerrero asked clarification on "delay" and GM responded that the projects were not completed by the deadline imposed but are now either complete or in "substantial compliance" – almost complete. It was mentioned that there is no fear that USEPA will be sending GWA any notice of non-compliance warning or default. Comm. Bamba asked management to provide at their next report – show what's completed, outstanding and timeframe for completion.

AWWA-HIOWPS Conference

- GWA Staff were very involved in the planning and successful execution of this event
 - Paul Kemp, Vangie Lujan (planning committee chairperson), Geigy Salayon, Melissa Schaible, Nicole Quan, Lisa San Agustin
 - Demonstrates GWA's leadership in improving the water and wastewater industry on Guam and the Western Pacific Region
 - CNMI representatives partnered with GWA counterparts in preparation for next year's event being hosted in the CNMI
- In its 2nd year, the conference was expanded
 - 2 days of technical presentations on water and wastewater topics
 - Keynote speaker addressed 'Tapping into your People' and the value of employees to organization success
 - Panel discussion on "One Guam" initiative
 - Local industry/vendor 'trade show' and exhibits
- Over 130 attendees this year, up from 80 attendees last year
 - Post-conference feedback indicates it was a great success

Land Acquisition Status

- CLTC properties needed for Court-order improvement projects
 - Right of access obtained, projects are proceeding
 - Draft legislation vetted with DLM/CLTC
- Private properties needed for Court-order improvement projects
 - Negotiation is ongoing
 - 2nd Offer letters submitted
 - Coordinating with legal counsel on drafting purchase agreements

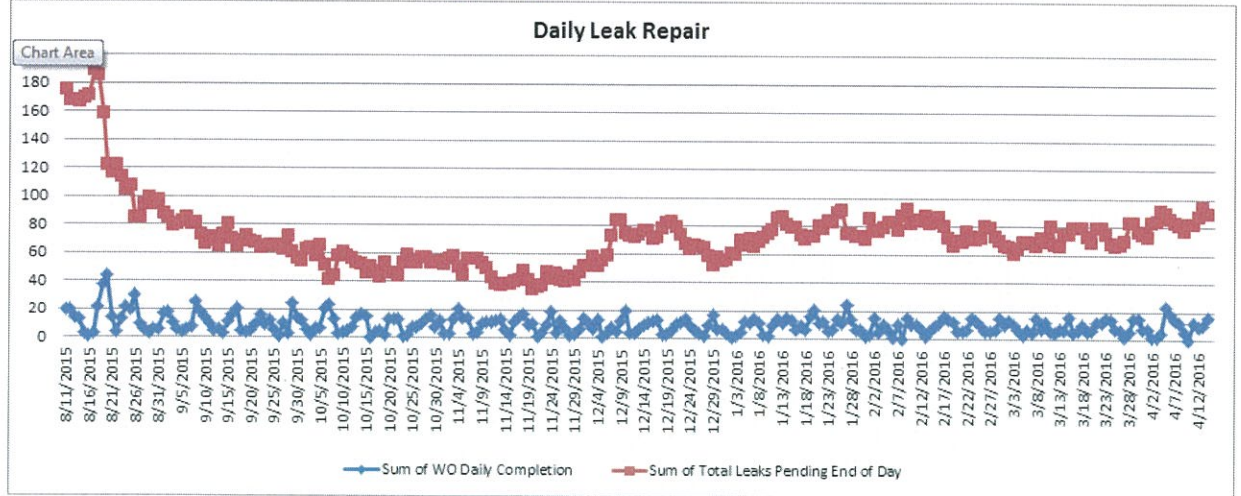
Comm. Bamba – does GWA have an overview of how many of these lands are requiring rights of access. GM Bordallo said historically if the roadway does not have proper rights of way then this may happen but he only knows of one (1) instance where GWA was not entirely on the right of way; this matter has been addressed and is being addressed on a case by case basis as they come up.

Comm. Sanchez has the Nissan tank matter been resolved; GM Bordallo said yes – a resolution will be presented tonight to address this matter.

On the draft legislation has management been keeping legislative oversight chair Senator Tom Ada updated and GM confirmed yes.

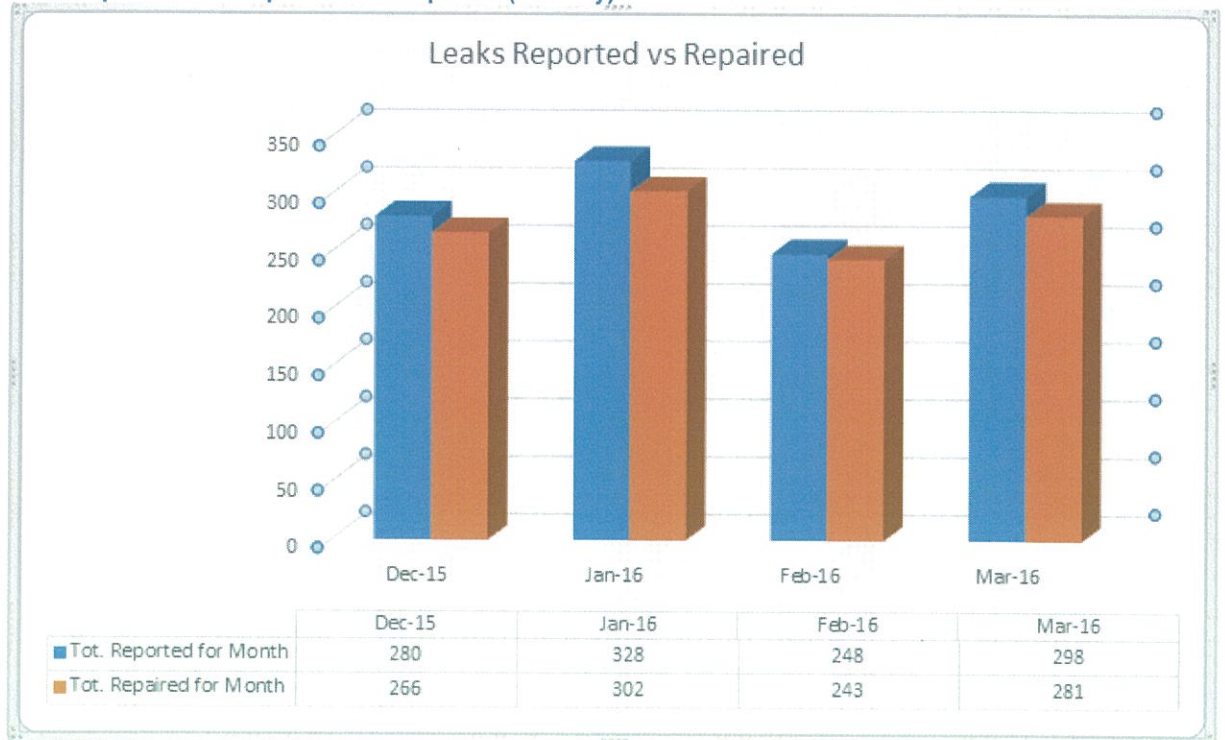
Key Operational Issues

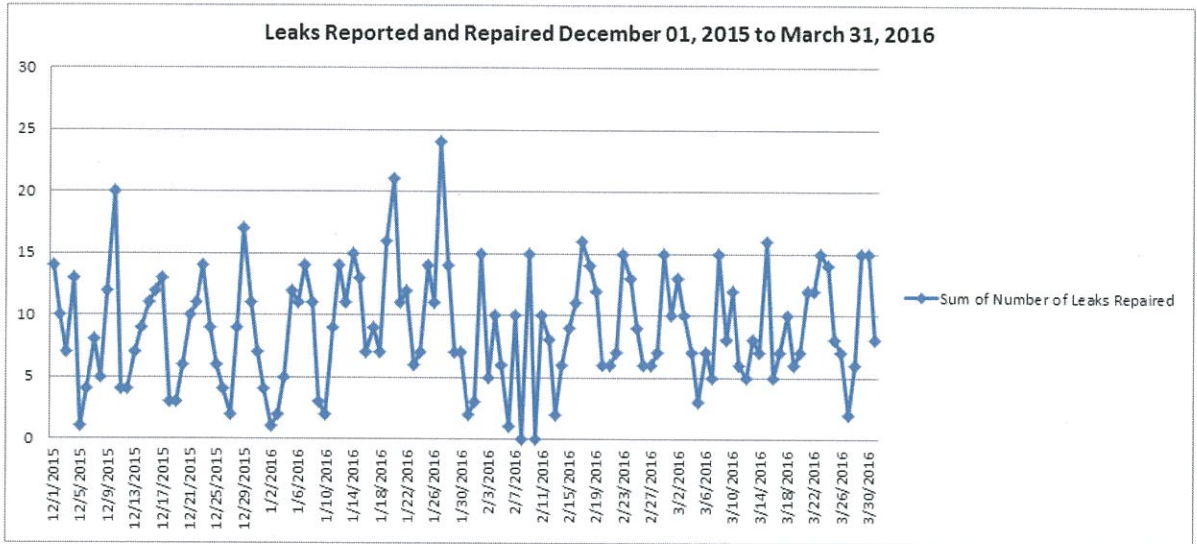
Leak Repair: WOs Completed & Pending (Daily)



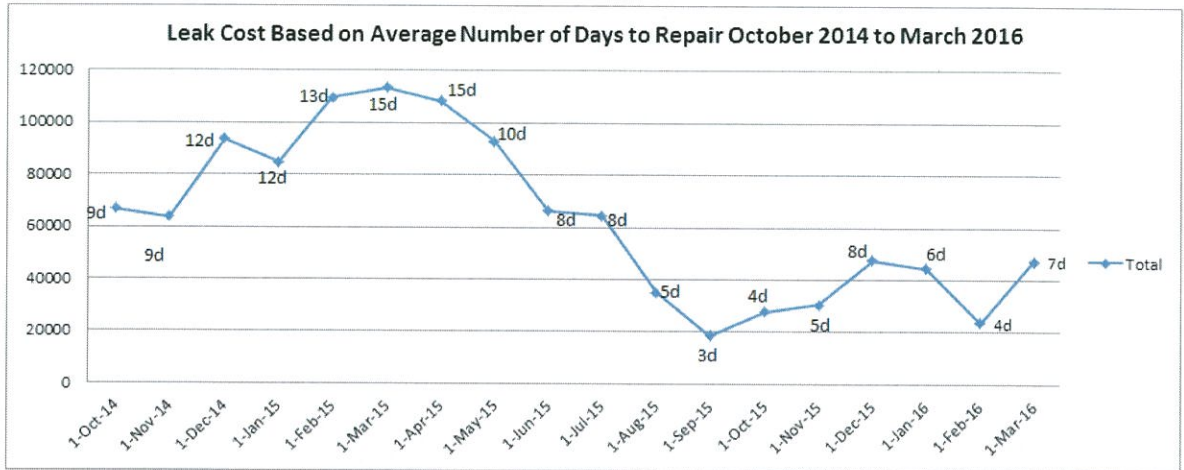
Comm. Bamba asked if there are problematic leak repairs and GM said yes – they are initiating a way to track these occurrences. Comm. Guerrero asked if management needed to hire more people or outsource to get these projects done faster. GM Bordallo said he placed ads for trades helper to augment leak repair & CCTV unit so there will be 2 full crews to address and aggressively take care of leaks as part of conservation effort. He added that management is trying to get number down to a more manageable level by June 1.

Leak Repair: Leaks Reported and Repaired (Monthly)

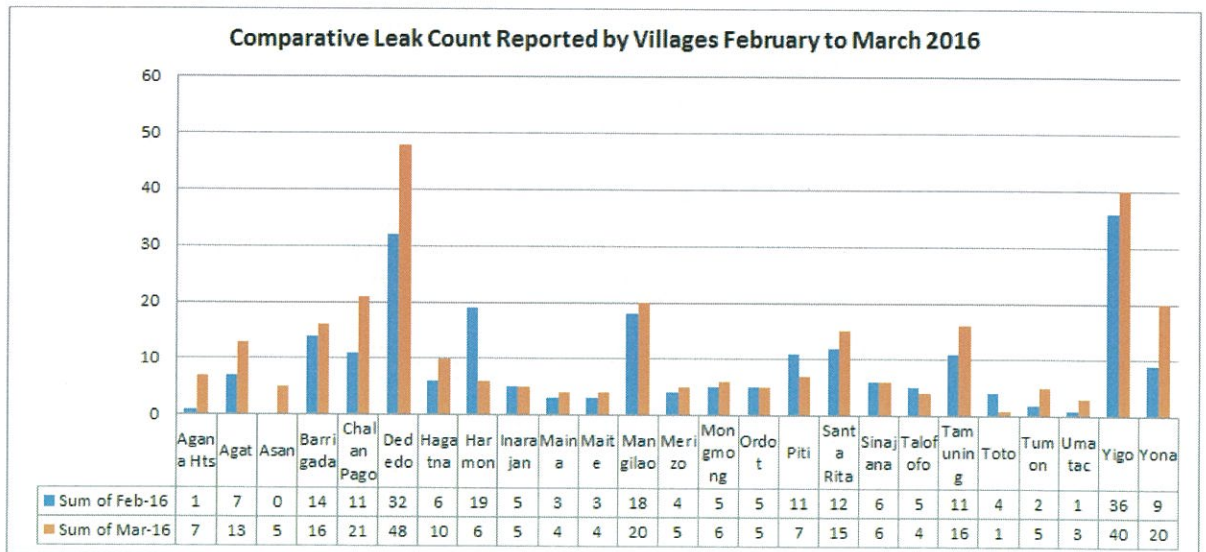




Leak Repair: Cost Savings – Days to Repair (Monthly)



Leak Repair: Reported by Village



Comm. Bamba was concerned that the highest incidences of leaks occur in Dededo and Yigo because our aquifers are there. Comm. Guerrero commented that the report does not show unscheduled main breaks (big leaks) immediately. GM Bordallo said that he will add this missing piece on his next report.

4. **COMMUNICATIONS**

4.1 **Public Comments** - None

5. **LEGAL COUNSEL** - None

6. **NEW BUSINESS**

6.1 **GPA**

6.1.1 **Financials**

CFO Kim reported that March revenues are close to budget 12.8M v 12.6M; kWh sales are within projection 121k v 129k. Comm. Sanchez commented that people are using more power because it's getting warmer. On # of customer is flat earlier in the year were deep increases but now it's tapering down. Comm. Sanchez commented that GPA continues to add more customers. Fuel recovery is still low; LEAC is better than projected – under recovery is about \$2.4M. GM Benavente said the plan is to recover within the next 2 months. It does not look like there will be a major LEAC adjustment this summer. O&M is under budget \$5.8 vs. \$5.2M; Debt service coverage ratio is very good 2.23. – significantly higher than required, 1.3. Cash on hand is \$139k. Comm. Santos asked about spike in unrestricted funds ... what caused spike of \$10M from Feb-Mar. CFO Kim said we actually received \$5M (from insurance) and not spending CIP's yet which will be spent eventually. Purchase orders are slowly being released as well slowly releasing RFP's. GM Benavente said Saipan recovery funds also play a part in the spike.

6.1.2 **Resolution 2016-21 Conversion and Installation of LED Streetlights**

Resolution 2016-21 is relative to the conversion of High Pressure Sodium (HPS) Streetlights to Light Emitting Diode (LED) Streetlights. GPA will convert all 16,862 HPS streetlights island wide from HPS to LED and the proposed installation work will be performed in-house by T&D personnel.

The implementation of an LED Streetlight Replacement program will save on fuel expenses by nearly \$1 million annually and reduce annual maintenance costs by approximately \$400,000.

The total estimated project cost is \$5.63 million. To date, GPA has completed conversion of 4,886 streetlights from HPS to LED streetlights (1,026 ARRA and 3,860 T&D). The cost to convert the remaining streetlights is:

REMAINING CONVERSION							
Total Streetlight Count Less ARRA Installations and T&D Installations							
Item	Description	Qty	Material Unit	Material Cost	Installation Unit	Installation Cost	Cost
1	150HPS Equivalent	10,530	\$220.00	\$2,316,600.00	\$103.06	\$1,085,252.36	\$3,401,821.80
2	250HPS Equivalent	1,352	\$240.00	\$324,480.00	\$103.06	\$139,337.12	\$463,817.12
	Total:	11,882		\$2,641,080.00		\$1,224,558.92	\$3,865,638.92
						Yearly Cost (Total Cost / 3)	\$1,288,546.31

The anticipated **annual cost** for the remaining years is \$1,288,546.31 inclusive of labor. GPA anticipates converting another 1,600 HPS streetlights to LED by the end of Fiscal Year 2016 at a cost of approximately \$356,000.00 for materials only. GPA previously purchased 400 streetlights at \$92,080 in FY2016. It was noted that the funding for this project will come from GPA's CIP Budget and estimated completion date is around December 2018.

Comm. Santos asked GM Benavente to show the Commission a cost benefits analysis to have the installation work done in house v. outsourcing. He also asked if this project can be done within FY2017. He asked management to review the inquiry come back and respond. GM Benavente said this matter will be addressed in next package. Comm. Sanchez said that by switching to LED GPA can save \$1.5M

Comm. Sanchez motioned to approve Resolution 2016-21; Comm. Sanchez seconded. There was no further discussion or objection and the motion passed.

6.1.3 Resolution 2016-20 Pay Grade Reassignment of the EPSD II Position and Pay Policy

This resolution is relative to the Pay Grade Reassignment of the Electric Power System Dispatcher II position and pay policy for incumbents and employees who promote into the Electric Power System Dispatcher II position. Approving this request allows management to approve and amend the job evaluation points & pay grade reassignment for the Electric Power System Dispatcher II position; implement a step-to-step placement for each incumbent of the Electric Power System Dispatcher II position as a result of the pay grade reassignment with an additional 3 sub-step in the higher grade; apply the promotion pay policy of identifying 6 sub-steps up from the current base salary and slotting into the higher grade with an additional 3 sub-steps to determine the new base salary for employees who are promoting to the Electric Power System Dispatcher II position. It is urgent and critical because it provides for incentives to retain employee's holding the Electric Power System Dispatcher II position; provides incentives to lure qualified applicants both internally and externally. The Electric Power System Dispatcher II job announcement has been published on an open and continuous basis over the course of several years yet GPA is unable to attract a sufficient pool of qualified applicants both internally and externally. The total cost to fund this position is \$34,603 to include the cost for incumbent EPSD II - 3 employees @ \$14,582 and an additional \$20,022 for 6 vacancies / promotions and will be funded by O&M.

The GM said this is a difficult position to recruit for. Management needs to do something different to try to fill this position. It is a high stress position and GPA is taking some measures like increasing the grade for this position and an internal announcement has gone out soliciting interest and the response is very good. Mr. Guerrero asked can the same process apply to the I position and GM Benavente said that Dispatcher 1 is already at Level K adding that they will fill for both positions as they go through the process.

Comm. Bamba motioned to approve Resolution 2016-20; Comm. Guerrero seconded. There was no further discussion or objection and the motion passed unanimously.

6.1.4 Resolution 2016-22 Amendment to the Residual Fuel Oil Contract

Resolution 2016-22 is relative to Amendment No.3 to the RFO Supply contract with Hyundai which includes the amendment of certain provisions of the contract. These provisions include the number of allowed shipment delays, limits on the delivery date range confirmation, minimum cargo quantity, ship lay time, and an adjustment of the Performance Bond depending on the value of the shipment. The amendment is reasonable and acceptable and does not impact the contract cost. There is no change in the contract pricing provisions. GPA and the ratepayers will continue to benefit from the savings generated from the reduction of the contract premium fee for the duration of the 3-year contract extension.

GM Benavente said this is more change in terms and conditions; the price does not change. GPA is using less fuel and the vessel is much larger allowing Hyundai to bring in cargo more economically. Overall the change is balanced and does not affect the price. The CCU approved a 3-year reduction in the premium

Comm. Bamba asked the rationale for lowering the performance bond to \$15M. GM Benavente said the current contract is for \$25M and this resolution reduces the value of the shipment to around \$15M, thus the lowered performance bond amount. It was mentioned that the usual shipment is 10-11,000 barrels and it was mentioned that this too may change in the future. It was also mentioned that GPA has ample storage capacity

Comm. Sanchez motioned to approve Resolution 2016-22; Comm. Bamba seconded. There was no further discussion or objection and the motion carried.

6.1.5 Resolution 2016-23 Authorization to Purchase a 35-Ton Crane

GPA's existing crane is over twenty years old and is beyond its useful life expectancy. Official No. 4770 requires extensive engine and boom repairs and is beyond reasonable economical repair. Resolution 2016-23 is asking the Commission approval to purchase A new 35 Ton mobile crane to replace the existing mobile crane. The purchase of this crane will save over \$30K in annual repairs and up to \$118K in avoided/prolonged outages. A Benefit Cost Analysis was conducted showing a benefit cost ratio of 2.32. An Invitation for Bid was released and Far East Equipment Company, the sole bidder, met all minimum requirements and procurement regulations. The total cost to procure a 35 Ton crane is \$491,705.50 and will be funded from Capital Improvement Funds. Lead time to complete this procurement is 240 days.

Comm. Santos motioned to approve Resolution 2016-23; Comm. Sanchez seconded.

In discussion, it was mentioned that the new crane would be used by both GPA and GWA. Comm. Guerrero asked if the crane could be used on public highways. It was confirmed that the crane has to be loaded on a low boy unless it is a short distance.

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

6.1.6 Resolution 2016-24 Authorization for Yigo CT Repair

The Yigo CT unit responds and reacts quickly to power surges or intermittency due to Solar PV Renewables on line. The repair is needed to help with this intermittency and to contribute to GPA's capacity and help meet system demand. The CT's PMC along with Yigo CT team did an initial assessment that showed material loss, corrosion and other issues. GPA and CT PMC intend to maximize the downtime of the unit to complete necessary repairs along with other projects that will extend the life and improve the efficiency and performance of the unit. TEMES was awarded the contract, it was determined that they are the most responsive, responsible and qualified bidder. The repair cost is estimated to be about \$2.3M and will come from working capital funds. The project completion time is anticipated to take about three (3) months.

Yigo CT went down in March and management intends to air freight in the turbine unit so the repair can be expedited. Management agrees that doing so is expensive but it is important to get Yigo CT fixed expeditiously. The unit will be refurbished and will save fuel cost and the money spent for this repair would be recovered.

It was mentioned that the status of MEC 7 is still unknown causing the urgency of the repair of Yigo CT.

Comm. Bamba asked if the Unit will be USEPA compliant when the repair is completed and the GM confirmed yes, it would be compliant.

Comm. Bamba motioned to approve Resolution 2016-24; Comm. Sanchez seconded. On the motion there was no further discussion or objection and the motion passed unanimously.

6.1.7 Resolution 2016-25 Extension of the Interruptible Load Program

The Interruptible Load Program (ILP) is an isolation or reduction of a customer's load as directed by the GPA Dispatcher by which the customer transfers their power supply from the GPA power system to the customer owned backup generator. The pilot program was initially approved (Resolution 2015-44) on September 23 for 6 months, ending on March 23, 2016. The interruptible load program provides approximately 14 MW of customer load that can be removed from the system during peak periods. GPA commissioned 40 MW of temporary power to provide reserve generation capacity due to the loss of Cabras 3&4 Power Plant on August 31, however the recent loss of Yigo CT and TEMES CT have further decreased system generation capacity and caused the system to be more vulnerable to service interruption.

On April 11, the additional loss of the Piti #7 unit, required GPA to initiate a load shedding schedule and request assistance from its customers to reduce or remove load from the power system. Cabras Unit #2 was put into service from its extended overhaul on April 18 but continues through its startup program before cleared for full operation. GPA seeks approval to extend the ILP program beginning April 11 thru August, 2016.

GPA projects credits from fixed rates for a total of 14 participants for estimated 14 MW of customer demand is \$92,500 per month. Variable rate credits are dependent on customer outage hours the following are projected monthly costs for various outage hours:

Outage Hours per Customer	Monthly Variable Credit
0	\$ -
5	\$ 27,522.31
10	\$ 55,044.62
20	\$ 110,089.24
25	\$ 137,611.55

Based on an average of 10 outages per month per participant, it is estimated costs will total \$1,327,948 and intends to fund the program through the Business Interruption Insurance Funds

GPA requests an extension thru December 2016 for the maintenance outages for MEC, the transformer installation at Cabras Unit #1 and the repairs of the Yigo and TEMES CT plants. GM Benavente said he had hoped to have interruptible load finished by March but due to unforeseen events, he needs to extend the program to end of FY adding that management will use this only as a last resort.

Comm. Sanchez motioned to approve Resolution 2016-25; Comm. Bamba seconded. There was no further discussion or objection and the motion passed.

Comm. Guerrero commented that there was a customer that didn't get paid; GM Benavente responded that this customer was getting paid up until the program ending of March 23. The customer was asked to extend the Interruptible Load Program but decided not to extend. GM Benavente said if this customer wants to return to the program, they can do so.

6.1.8 Resolution 2016-26 Relative to Bank of Hawaii Account to support Merchant Banking Service

Resolution 2016-26 requests the Commission to authorizing the GPA to open a checking account with the Bank of Hawaii dedicated to collection and deposit of funds processed through Bank of Hawaii's merchant banking contract with GPA. The objective is to provide GPA a means to deposit funds processed through debit and credit card transactions in order to facilitate the reconciliation of payments processed by the merchant banker and payments recorded in the Customer Care and Billing System (CC&B). GPA has an existing contract with BOH that was procured through a Request for Proposal (RFP). It will not cost GPA anything more than the regular fees charged to GPA for other accounts held at Bank of Hawaii. GPA will exercise its due diligence to maintain appropriate bank balances to avoid unnecessary bank charges. The account can be opened within one to two days of the approval of this resolution. The source of funds deposited will be all debit and credit card transaction amounts processed by Bank of Hawaii either online or in the lobby of all GPA locations.

Comm. Sanchez motioned to approve Resolution 2016-26; Comm. Bamba seconded.

In discussion Comm. Duenas commented to GWA CFO Greg Cruz that the CCU thinks it will be good for GWA to do the same thing. The CFO responded that he believes GWA can proceed to establish an account without board approval. BOH only asked GWA to complete an application to enable the swiping of funds into a BOH account. Chairman Duenas recommended that GWA introduce a similar resolution for GWA. CFO Cruz confirmed that credit cards are currently being accepted and funds are being review the application and if needed, follow through with a CCU resolution. CFO Cruz also confirmed that currently credit card transactions are deposited into Bank of Guam account but eventually all credit card transactions will be deposited at BOH too. Comm. Sanchez asked GPA CFO Kim when GPA can start sweeping cash and he responded that the process is immediate because GPA has an existing account at BOH already. It was mentioned that it may be possible that all GPA/GWA credit card transactions will be in effect with BOH in May and with fixed credit card fees. Comm. Duenas stated at the end of day the CCU's main concern is that customers are able to make their payments and that the service is cost effective.

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

6.1.9 Resolution 2016-27 Relative to Coast 360 Account to Support Facilitation of Customer Payments

Resolution No. 2016-27 is similar to Resolution 2016-27 in nature. It authorizes GPA to open a checking account with Coast 360 Federal Credit Union (Coast 360) dedicated to collection and deposit of GPA customer payments processed through the Coast 360 locations. It has a similar objective which is to provide GPA a means to deposit GPA customer payments processed through Coast 360 tellers in order to facilitate the reconciliation of payments processed by Coast 360 and payments recorded in the Customer Care and Billing System (CC&B). By approval, a Coast 360 account will be established on island and it will not cost GPA anything more than the regular fees charged by Coast 360 to other account holders at the credit union. GPA will exercise its due diligence to maintain appropriate bank balances to avoid unnecessary bank charges. The account can be opened within one to two days of the approval of this resolution. The source of funds deposited will be all GPA customer payments processed by Coast 360 at their locations.

Comm. Sanchez motioned to approve Resolution 2016-27; Comm. Bamba seconded.

In discussion Comm. Sanchez asked if GWA also open an account at Coast. GWA CFO Cruz confirmed that GWA already has a relationship with Coast 360.

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

6.1.10 GPA Resolution 2016-28 / GWA Resolution 34-FY2016 Relative to Reorganization/Realignment for GPA&GWA

If approved, Resolution 2016-28 will realign GPA's organizational structure to become effective and efficient. – aligning its goals with organization's objectives. GPA recognizes that changes to the organizational structure are often made to focus efforts on the organization's core competencies and to minimize the use of resources elsewhere. Management will complete the realignment within 5 to 6 months and any cost incurred would come from revenue funds.

GM Benavente explained that the organizational chart was amended to allow CFO to handle payroll and cash management following GWA's structure. GM Benavente wants CCU approval to proceed and will come back to CCU for final approval and comments / structure. Legal Counsel Botha advised that the companion resolution for GWA is also attached as Resolution 34-FY2016 which lays out the same process for the timeline and basic org chart. The Chairman said the Commission will deal with each resolution independently beginning with GPA's.

Comm. Bamba motioned to approve Resolutions 2016-28; Comm. Sanchez seconded. On the motion, there was no further discussion or objection and both resolutions passed.

The Chairman reaffirmed that this is just beginning of the process and management will come back to CCU for final blessing. It was mentioned that this matter does not require filing with PUC but they can get involved thru public hearings.

The objective of GWA Resolution 34-FY2016 is to reorganize and realign GWA's organizational structure to enhance management and span of supervision, increase effectiveness and efficiency, and improve cooperation and collaboration across all functional areas. GWA recognizes that changes to the organizational structure are often made to focus efforts on the organization's core competencies and to minimize the use of resources elsewhere. The reorganization is GWA wide and will not incur any costs other than costs for publication. The reorg will run 9-10 months and is revenue funded.

Relative to GWA Resolution 34-FY2016, GM Bordallo commented that that GWA's is different because it more of a restructuring / reorganization than a realignment. He said more time is needed for the steps and actual slotting of positions – GPA has only 7 steps while GWA has 13. He said he will give the Commission an update prior to the final so they can see the process. Like GPA, GWA will follow necessary rules to comply with law and will come back to CCU for final approval.

Comm. Sanchez motioned to approve Resolution 34-FY2016; Comm. Bamba seconded. On the motion there was no further discussion or objection and the motion passed.

6.2 GWA

6.2.1 Financials

CFO Cruz reported that GWA's revenue is 7% ahead of last years and in line with the rate increase; spending rate is below budget but 9% or higher than prior year. Discussion followed on the cause for the higher expenses. The CFO said there was \$8M higher in debt service. More people are being hired but in the works. GM said that GWA is close to its approved FTE cap. Comm. Bamba plugged Communication saying that GWA has branched out to many social media platforms and also built a new CCU website and asked for at least (1) FTE for Communications. The GM concurred and added that Customer Service also needs more staffing and Compliance&Safety as well. The Chairman said with the realignment the GM will be moving slots around and hiring at the same time.

There was lengthy discussion on the water purchases from Navy. Comm. Guerrero asked about the increase in Navy water purchases – about 17% higher than last year. The Commission asked what this factor is in dollars and it was noted about \$158k or 30% more than last year. Comm. Guerrero said there are 12million gallons in GWA storage tanks and recommends management move it down to Sta Rita /Agat, establish thresholds, make the required adjustments and management will see savings. He added that the engineering thresholds are really high and recommends this be adjusted. Comm. Bamba agreed that we were in a downward trend in Navy purchases so why are we purchasing more now.

GM Bordallo said he does not want to give the Commissioners a false sense that GWA is going to be able to sustain lower Navy purchases forever because it can't. He said GWA is purchasing more because in his opinion, GWA needs to maintain a certain levels of service and a 3-4ft level in a reservoir does not provide appropriate level of service based on all the factors. Cost is not the only consideration when establishing these levels / ranges so he has directed to SCC to establish the required minimum levels of service notwithstanding the costs but to make sure that we are always wary of purchases and to make adjustments when we can – that said GWA has maintained higher levels within the reservoirs causing the increased purchases. He also mentioned that the Sta. Rita Springs is going to dry up and we have to buy some water. He added that he is totally in agreement to moving water, and is working to identify what the constraints area for the short and long term and trying to work that in to the ongoing projects to provide a permanent solution to allow us to have a capability to move our own water thus reducing water purchases from the Navy. He said cost on its own cannot be the only single consideration on which the system is operated.

Comm. Sanchez said he has seen water purchases move from 1.4 million gallons to about 300,000 gallons today. Both Comm. Guerrero and GM Bordallo want to service the ratepayer – one from a management / engineering call and the other from a policy call. He also appreciates that 30psi is the law and GWA has to follow the law and maintain pressure throughout the system. He said the CCU needs to allow the GM to sort this out and find a fine balance.

Comm. Duenas said cost has to be part of the issue but there are also operational concerns that must be addressed. He said let's continue to look at where there are constraints and continue to work at finding a plan that works. Although GWA is buying more now, it is his hope that management will find a solution that will save us money in the long run.

Comm. Santos said if there is no policy issue to be made regarding this issue that the discussions should move on.

Comm. Sanchez asked the CFO to modify the report on the Navy slides to present it years rather than trend lines and looks forward to GM Miguel's report for maintaining service levels

6.2.2 Resolution 28-FY2016 Approval of the Creation of Water & Wastewater Systems Control Dispatcher II Position

The Guam Waterworks Authority has determined a need to create the Water & Wastewater Systems Control Dispatcher II position to optimize the operations and maintenance of the water and wastewater systems. This creation is critical to the operations of the Authority to improve the safety, efficiency and reliability of the system and will result in improved services and reduce cost to our ratepayers.

Under the eventual direct supervision of the Chief Water/Wastewater System Dispatcher, the purpose of the created position is to monitor the Supervisory Control and Data Acquisition (SCADA) computerized system of the authority to prevent or minimize emergency outages and ensure the facilities function properly and efficiently. The position requires analyzing data to dispatch and accurately communicate to field crews the remote monitoring alarms received from field instrumentation and transmitting systems.

The Systems Control Center will be organizationally located within the Operations Division, under the direct supervision and management of the Chief Water/Wastewater System Dispatcher. Supervision and management of the Chief Water/Wastewater System Dispatcher will include the Trouble Dispatch Section also within the Operations Division of the Authority. The salary range for the position is \$44,000 - \$49,000

The Chairman said this matter was explained in detail at the GWA Work Session and asked for a motion.

Comm. Bamba motioned to approve Resolution 28-FY2016; Comm. Guerrero seconded. ON the motion there was no further discussion or objection and the motion passed!

6.2.3 Resolution 29-FY2016 Approval of Proposed Legislation for Acquisition of CLTC Properties

Guam Waterworks Authority has identified property, owned by the Chamorro Land Trust Commission (CLTC), for the purpose of rebuilding the existing water reservoir, constructing a storm water detention basin to address United States Environmental Protection Agency (USEPA) Clean Water Act (CWA) requirements and to construct future additional reservoirs which will assist in meeting current and future growth demands for drinking water. The proposed lots are 1) Lot 5075-REM-A NEW-1, Municipality of Tamuning, 5,686± sm, 2) Portion of Lot 470-R3, Municipality of Santa Rita, 2, 855± sm. and 3) Portion of Lot 10164-1, Municipality of Dededo, 1,852± sm. The expected date of submission to the Guam Legislature is May 2016

GWA and CLTC have developed draft legislation to acquire the properties to meet the needs of GWA. Upon passage of the law, GWA and CLTA will develop a reasonable compensation package for the acquired properties. The related cost will include 2 appraisals per property, the cost of the final survey of the property and the compensation package will be negotiated and will come from bond funds. Due to the time constraints imposed by the Court Order to complete the project, GWA and CLTC have agreed on the basic terms of the transfer to meet the needs and mandates of both parties, and have committed to finalize the terms of compensation to the Chamorro Land Trust within one hundred eighty (180) days of the enactment of the proposed legislation.

Comm. Sanchez motioned to approve Resolution 29-FY2016; Comm. Bamba seconded. On the motion there was no further discussion or objection and the motion passed.

6.2.4 Resolution 30-FY2016 Approval of Tumon Hot Spots Sewer Line Design Project

The objective of the project is to understand better the wastewater collection system condition on Route 14 in Tumon to the east and west of the Fujita Pump Station and to develop engineering reports, design and specification documents to repair/rehabilitate or replace deteriorated, damaged gravity sewer lines identified. This project is urgent as this area is a wastewater collection "hot spot" and requires frequent jetting and cleaning to maintain flow in the system. The annual maintenance for this hot spot is costly and has a high probability of causing Sanitary Sewer Overflows (SSO) if maintenance is not maintained.

The design services are expected to run from May 2016 to March 2017. The design services include but are not limited to general civil engineering, geotechnical engineering, and archeological investigation for approximately 2,125 linear feet of wastewater collection system. The outcome of the design services will produce an evaluation/analysis report as well as design drawings and specifications to be used for bidding the construction activities..

The engineering design services contract was negotiated to be Two Hundred Thirty Eight Thousand One Hundred Seventy Four Dollars (\$238,174.00) with options related to Cleaning, Bypass pumping, CCTV, Geotechnical and Archaeological Services for Two Hundred Sixty Seven Thousand Five Hundred Sixty Dollars (\$267,560.00) and Construction Procurement and Engineering Services during construction for Sixty Six Thousand Three Hundred Fifty Five Dollars (\$66,355.00). GWA management is also seeking a 10% contingency of Fifty Seven Thousand Two Hundred Eight Dollars and Ninety Cents (\$57,208.90) which would then bring the total authorized funding amount to a maximum of Six Hundred Twenty Nine Thousand Two Hundred Ninety Seven Dollars and Ninety Cents (\$629,297.90). The funding for this project will be from USEPA Grant Funds, and if necessary, GWA 2013 and/or 2015 Bond Funds.

The engineering design service is anticipated to be fully completed by March 31, 2017. The options, if authorized by GWA, are anticipated to occur concurrently with the bidding and construction period.

In discussion, GM Bordallo said that Resolution 30-FY2016 is relative to an engineering design service which includes basic design service and various other related for areas leading into the Fujita Pump Station. This is to correct / address structural design flaws and deficiencies.

Comm. Guerrero noted that GWA's PMC, Brown & Caldwell was listed and voted on the evaluation committee for this procurement and questioned its legality. Legal Counsel Botha responded that normally consultants are non-voting members of the evaluation committee, they are technical advisors. In discussion it was confirmed that GPA and GWA procurement is different. Brown & Caldwell have been on GWA's evaluation committee many times in the past. Comm. Santos asked legal counsel to review procurement rules and regulations relative to evaluation committee's and to provide a written opinion relative to this concern.

Comm. Guerrero also noted that the procurement office is not a member of the evaluation committee. Comm. Duenas asked GM Benavente if GPA's evaluation committee includes a member of procurement and GM Benavente said no. The response was that the procurement officer handles the administration of the procurement but does not get involved with the selection. Comm. Guerrero asked Legal Counsel to opine about this matter in written form by the next meeting stating he thought it seemed fishy.

Comm. Bamba motioned to approve Resolution 30-FY2016; Comm. Sanchez seconded. On the motion there were (4) yes and (1) no. The motion passed.

6.2.5 Resolution 31-FY2016 Approval of Exhibit to 2010 MOU and Tumon Maui Well License Agreement

If approved, Resolution 31-FY2016 will authorize GWA to operate Department of the Navy (DON)'s Tumon Maui Well (TMW) facility located on Route 1, Marine Corps Drive. The Agreement between DON and GWA approves the extraction of water limited to 800 gallons per minute (gpm). The interconnection is between GWA systems and DON at Route 3 and Potts Junction. GWA will commit to providing 210 gpm to the DON.

The CCU approved Resolution No. 21-FY2016 of the License Agreement at the February 23, 2016 meeting, however, DOD updated the License Agreement to include required information that clarifies sections related to term, improvement and restoration and storage of toxic or hazardous chemicals. The updated license also includes the Hazardous Materials List and the Environmental Condition of the Property (ECP) Checklist. Approval is being requested of the updated license agreement and Memorandum of Understanding (MOU).

This project is necessary and urgent as the expected date of operation for the TMW is May 2016 and will cost \$4,800 for the license fee and GWA's operational costs for the TMW, which are estimated to be relatively equivalent to GWA's existing cost of water production. The Interconnection at Route 2 and Potts Junction will be completed within the first year of the license period and the funding source is the existing GWA Water Operations Budget

Comm. Sanchez motioned to approve Resolution 31-FY2016 for discussion; Comm. Bamba seconded. On the motion there was no further discussion or objection and the motion passed.

6.2.6 Resolution 32-FY2016 Approval of Purchase of Membrane Filters for the Ugum Treatment Plant

The project is to provide membrane modules (filters) to the Ugum Treatment Plant and to ensure adequate stock is available at all times. Failure to have replacement modules may lead to conditions which would subject GWA to monetary fines. GM Bordallo said he would like to initially order up to 400 units on an as-needed basis during the initial contract term if 3 years. The indefinite quantity contract will be in place for an initial term of 3 years and purchases will be ongoing on an as-needed basis over the life of the contract term. The cost is \$568,000.00 for the purchase of up to 400 membrane modules and the funding source is O&M Budget.

There was long discussion on the procurement of membranes. Both Comm. Bamba and Santos said they remember this matter being brought before the Commission and management said it was an urgent matter then. It was mentioned that the bid was released in January and the procurement was happening now – 4 months later.

Comm. Sanchez motioned to approve Resolution 32-FY2016; Comm. Santos seconded. There was no further discussion or objection and the motion passed.

6.2.7 Resolution 33-FY2016 Approval of Purchase of a Combination Vacuum Truck with Jetter

The equipment is to provide daily operational field requirements. The objective is to have the equipment readily available should the need arise at any given time, and to augment our existing equipment capabilities to enable performance of court-ordered tasks. The cost of the equipment is \$374,910.00 and will come from the O&M Budget. Expected delivery is 120-180 days.

Comm. Guerrero motioned to approve the resolution and was seconded by Comm. Sanchez. There was no further discussion or objection and the motion passed.

7. OLD BUSINESS

7.1 PGR Renewable Contract

This matter was not discussed.

8. ANNOUNCEMENTS

8.1 Next CCU Meetings

The Chairman announced that the next work session would be for GWA on May 18 and GPA on May 19. The May CCU meeting is on May 26.

The Chairman said that Legal Counsel recommended Executive Session discussion on (2) matters and provided the corresponding affidavit to the Recording Secretary. The meeting was moved to Executive Session after a 10 minute break. It was approximately 7:28 p.m.

9. EXECUTIVE SESSION

9.1 Personnel Matters

This matter was discussed.

9.2 Litigation Matter

This matter was discussed.

At approximately 8:40 p.m., Chairman Duenas announced that the meeting has now back in Regular Session from Executive Session. He said all (5) Commissioners were still present and said the Chairman will entertain a motion to approve what was adopted in Executive Session.

Comm. Sanchez motioned to approve a claim for \$29,328.00 to be paid to Mr. & Mrs. Antonio S. and Josephine R. Toves as summarized in this release and settlement agreement provided by counsel to us during executive session; Comm. Bamba seconded. There was no further discussion or objection and the motion passed unanimously.

Comm. Sanchez motioned to agree to pay a bonus to Mr. John Kim, our CFO, contingent on three (3) projects being completed for which he will be paid \$5,000 for each of these projects if he is successful in completing them. Project 1) to complete the transfer from our previous merchant card vendor to a new merchant card vendor to establish a brand new merchant banking relationship with GPA and to seek a reduction in the debit and credit card fees that we currently pay from a new vendor. It is my understanding that he has secured the reduction in the debit/credit card fee we are still in the process of implementing the entire agreement but the motion is upon successful completion of the transition to a new merchant agreement with the lower debit/credit card fees that he be paid \$5,000 if this occurs within 6 months of his original effort. Comm. Santos seconded. There was no further discussion or objection and the motion passed unanimously. It was noted that this is Project 1 of 3 projects pending bonus agreements with Mr. Kim.

Comm. Sanchez moved that we adjust the salary for Ms. Melinda Camacho as recommended by management to the amount of \$138,870.78 per year effective May 1, 2016; Comm. Bamba seconded. There was no further discussion or objection and the motion passed unanimously.

Comm. Sanchez moved that we adjust Mr. Graham Botha's salary for his successful and good work that he has done for the Commission to \$135,000 per year effective May 1, 2016; Comm. Guerrero seconded. There was no further discussion or objection and the motion passed unanimously.

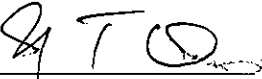
Comm. Sanchez move that we end the paid services for Mr. Sam Taylor, GWA Legal Counsel on April 30 with the completion of this payroll period and that we offer him an additional \$10,000 severance contingent on him giving GWA full release of all and any other obligations and future claims; Comm. Bamba seconded. The chairman is authorized to complete the transaction. There was no further discussion or objection and the motion passed unanimously.

10. **ADJOURNMENT**

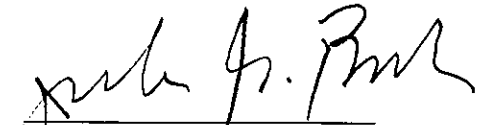
There was no further business to bring before the Commission.

Comm. Santos moved to adjourn; Comm. Bamba seconded. There was no objection and the meeting adjourned at approximately 8:51 p.m.

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Attested: 

JOSEPH T. DUENAS, Chairman



J. GEORGE BAMBA, Secretary