



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., August 23, 2016

MINUTES

1. CALL TO ORDER

Chairman Duenas called the Regular CCU Meeting of August 23, 2016 to order at 5:40 p.m. He announced that four (4) Commissioners were present and there was a quorum: Comm. Pete Guerrero is absent. Those present include:

Commissioners:

Joseph T. Duenas	CCU Chairman
Francis Santos	CCU Vice Chairman
George Bamba	CCU Secretary
Simon Sanchez	CCU Member

Executive Mgmt.:

John Benavente	GM / GPA
Miguel Bordallo	GM / GWA
Melinda Camacho	AGM Operations / GPA
John Kim	CFO / GPA
Greg Cruz	CFO / GWA
Graham Botha	Staff Attorney / GPA
Kelly Clark	Staff Attorney / GWA

Management & Staff:

Art Perez	PIO / GPA
John J. Cruz	Manager SPORD / GPA
Paul Kemp	AGM Compliance & Safety / GWA
Geigy Salayon	GWA
Pam Aguigui	Budget Analyst / GPA
Monica Cruz	Budget / GPA
Sue Carbullido	Budget / GPA
Lorraine Guerrero	Budget / GPA
Vincent Pangelinan	GWA
Vangie Lujan	Compliance / GWA
Ann Borja	Mgmt. Analyst / GWA Ex. Office
Lou Sablan	Board Secretary / CCU

Guest:

Angelica Perez	AM Insurance
Andy Niven	PUC
Fred Horecky	PUC
Nestor Licanto	KUAM
Bill Chang	B&C
George Watson	B&C

2. **APPROVAL OF MINUTES**

The Minutes of July 26, 2016 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. **COMMUNICATIONS**

3.1 **Public Comments** - None

4. **LEGAL COUNSEL** - None

5. **NEW BUSINESS**

5.1 **GWA**

5.1.1 **GM Report Update**

GM Bordallo said there was no change from the report he gave at last week's GWA Work Session.

Comm. Santos asked about GDOE receivables and asked the GM to advise the Commission status via email.

Comm. Sanchez made recommendation to include the GM reports into BB for the official CCU public meetings. Discussion was made relative to including other division reports etc. but it was decided to include only the GM reports and the usual financial reports even if there are no changes from the work session presentation. The Board Secretary acknowledged.

5.1.2 **Financials**

The CFO said there is nothing new to report based on his last reporting and it was noted that unlike the GM Report, the financial were included in the books for this meeting. The Commission asked the CFO status of the True-up and it was discussed that it would not be on the August PUC Agenda and most likely it will be included in the Sept. agenda. Relative to revenue, target is missed by 1% which is offset by GWA's spending rate which stands at 13% less than authorized this FY. It was reported that GWA is just less than 200 days for cash on hand; payables are down to about 30 days. There was discussion on the bond funds and related encumbrances; the GM pointed out that this information is located in the Engineering Report provided at the last work session.

There was discussion on other reports included in the work session section of board books. It was discussed that the work session is official receipt of information / request by management but no action is taken until the CCU meeting. It was also stated that the work session audio files are also uploaded to the website to include live streaming.

5.1.3 **Resolution 52-FY2016 Relative to EJCDC Contract and GWA Project Procurement Regime**

GWA is committed to using the most up to date and thorough contract documents in its Capital Improvement Project procurement regime. The Engineers Joint Contract Documents Committee (EJCDC) documents are the highest quality standard documents specifically written for infrastructure projects in the United States and it is in the best interest of the GWA to adopt the EJCDC documents and incorporate them into the GWA procurement regime where they do not conflict with the laws of the Territory of Guam.

It is also necessary to use standardized documents in order to adequately limit GWA's liability throughout the entire CIP implementation cycle. This agency wide standardization would address concerns raised by USEPA with regard to grant-funded projects specifically in regard to GWA liability resulting from non-standardized contract documents.

This upgrade in GWA's procurement regime will be the agency One Thousand Eight Hundred Eighty Seven Dollars (\$1,887.00) and will be incorporated immediately.

Comm. Sanchez motioned to approve Resolution 52-FY2016; Comm. Bamba seconded. There was no discussion and the motion carried

5.1.4 Resolution 53-FY2016 Approval of Construction Contract for Yigo and Astumbo Tanks

The objective of this project is to construct two new concrete tanks at the Yigo reservoir site to replace the existing Yigo No. 1 steel tank, construct a new Yigo booster pump station to replace the existing Yigo Elevated tank, construction of a new concrete tank at the Astumbo reservoir site to replace the existing Astumbo No. 1 steel tank and construct a new water transmission line connecting the new Astumbo tank to a new water well along Chalan Koda. This project is a Court Order project thus falls under the deadline requirements established. This project is located at the existing Yigo and Astumbo reservoir sites. The water transmission line installation is along Chalan Nijok (begin at Chalan Nijok-Chalan Koda intersection and end connection to the inlet of Astumbo Reservoir on Chalan Palauan).

The bid proposal submitted by Pernix Guam, LLC is Eighteen Million Two Hundred Twenty One Thousand Three Hundred Twenty Eight Dollars (\$18,221,328.00). GWA management is also seeking a ten percent (10%) contingency of One Million Eight Hundred Twenty Two Thousand One Hundred Thirty Two Dollars (\$1,822,132.00) bringing the total cost to Twenty Million Forty Three Thousand Four Hundred Sixty Dollars (\$20,043,460.00) and the funding source is CIP Funds.

The construction contract time for the project is 330 calendar days per tank after NTP. The Yigo #1 and Astumbo Tanks completion is scheduled to be completed November 2017 and second Yigo #2 completion is scheduled to be completed August 2018.

Comm. Santos motioned to approve Resolution 53-FY2016; Comm. Sanchez seconded. There was no further discussion or objection and the motion carried.

5.1.5 Resolution 54-FY2016 Approval of Northern WWTP Service Area WW Pump Stations ConstrMgmt Contract

If approved, Resolution 54-FY2016 will provide Construction Management Services for the Design Build of Northern District WWTP Service Area Improvements Project on behalf of GWA. The CM services are expected to last until September 2017 when all construction activities should be completed. The total construction cost for the Design Build of Northern District WWTP Service Area Improvements is \$1,505,760.00. Thus, having a qualified and experienced CM who can help GWA oversee the design-build construction project is necessary. In addition, having the CM on board as early as possible allows for better communication and coordination efforts at the start of the construction activities. The approval of the CM contract during the August 2016 CCU meeting will get the CM on board in time to manage the construction activities.

The project location includes the seven (7) existing pump stations that are all in the northern wastewater district. These are the Macheche, Ypaopao, Astumbo, Santa Ana Wastewater Pump Stations including three of GWA's largest and most critical stations: Fujita (Tumon); Route 16, and Southern Link.

The CM services contract was negotiated to be Two Hundred Ninety Nine Five Hundred Eighteen Dollars and Sixty Nine Cents (\$299,518.69) and funded by the EPA State Revolving Fund grant. Anticipated completion date is September 2017.

Comm. Sanchez motioned to approve Resolution 54-FY2016; Comm. Bamba seconded, the motion passed without further discussion or objection.

5.1.6 Resolution 55-FY2016 Relative to Tamuning Hot Spot Sewer Line Rehab and Replacement Design Contract

The objective of the project is to understand better the wastewater collection system condition along Pancoso Palting St., Pas St., Tun Jesus Crisostomo St., and Segundo Leon Guerrero St. in Tamuning and to develop engineering reports, design and specification to repair/rehabilitate or replace deteriorated, damaged gravity sewer lines. These areas are hotspots and require frequent jetting and cleaning to maintain flow. The design services are expected to run from October 2016 to June 2017. The design services include but are not limited to general civil engineering, geotechnical engineering, and archeological investigation for approximately 3,000 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 Sixty Five Thousand Five Hundred Ninety Four Dollars (\$265,594.00) with options related to Cleaning, Bypass pumping, CCTV, Geotechnical and Archaeological Services for Two Hundred Ninety Five Thousand Five Hundred Thirty Two Dollars (\$295,532.00) and Construction Procurement and Engineering Services during construction for Seventy Four Thousand Eight Hundred Thirteen Dollars (\$74,813.00) for a total amount of Six Hundred Thirty Five Thousand Nine Hundred Thirty Nine Dollars (\$635,939.00). GWA management is also seeking a ten percent (10%) contingency of Sixty Three Thousand Five Hundred Ninety Three Dollars and Ninety Cents (\$63,593.90) which would then bring the total authorized funding amount to a maximum of Six Hundred Ninety Nine Thousand Five Hundred Thirty Two Dollars and Ninety Cents (\$699,532.90). The identified funding source will be from USEPA Grand Funds and if necessary GWA Bond Funds under CIP budget and expected completion date is June 30, 2017. The options, if authorized by GWA, are anticipated to occur concurrently with the bidding and construction period.

Comm. Bamba motioned to approve Resolution 55-FY2016; Comm. Sanchez seconded. There was no other discussion or objection and the motion passed.

5.1.7 Resolution 56-FY2016 Approval of Change Order # 2 for the Northern / Southern Guam Reservoir Design Services

Resolution 56-FY2016 will provide additional design services necessary to meet new building code requirement and to improve the functionality of the water systems. The design works included providing additions and revisions to the pipe system to complete the pressure zone realignment which includes surveying and environmental services for Santa Rita and Santa Rosa Reservoirs, design for the new UFC structural code requirements for Ugum, Santa Rosa, Santa Rita and Sinifa Reservoirs; and Inarajan Booster Pump Station, additional land acquisition support for the Government of Guam Chamorro Land Trust Commission (CLTC) property, additional Archaeological and Unexploded Ordinance (UXO) monitoring, and design to include the new GWA-AAFB tank interconnection system for the Santa Rosa Reservoir, design for new Booster Pump Station and a new Pressure Reducing Valve (PRV) to be added into the system in the vicinity of Agfayan Subdivision in Inarajan as part of the pressure zone realignment plan, percolation tests to be included at each project site location for drainage basins, design to incorporate the Siemens controls from the existing Ugum plant to be extended to the new Ugum Reservoir and facilities. Specifically, this project is located at the existing Santa Rosa, Santa Rita, Sinifa reservoir sites, Ugum Water Treatment Plant as well as along Route 4 in the vicinity of Agfayan Subdivision in Inarajan.

The change order proposal submitted by TG Engineers is Five Hundred Three Thousand One Hundred Ten Dollars and Fifty Cents (\$503,110.50), however, GWA management is only seeking approval of Three

Hundred One Thousand One Hundred Ninety Four Dollars (\$301,194.00) which is the balance needed above the remaining contingency that will fund Change Order No. 2. The funding source will come from 2013 and/or 2015 Bond Funds under CIP Budget. The completion of the design work, including the new scope is anticipated to be June 2017.

Comm. Bamba motioned to approve Resolution 56-FY2016; Comm. Sanchez seconded. There was no further discussion or objection and the motion passed.

To clarify, it was stated that this \$503K increase will bring the contract up to \$3M

5.2 GPA

5.2.1 GM Report Update

GM Benavente re-highlighted the GM report given at the GPA WS last week relative to net metering – customers number currently 1098 which 94% are residential; he showed a graph of current and pending customers; MEC is under overhaul Macheche CT engine is on order and will be brought back on line on Sept. 30. Beyond December management is working on this and will report back to the Commission and other matters

GB - made comment re Aggreko lease and wanted management to know that the Commission needs some solid time to discuss and decide on next steps. He asked the GM that he does not want to be held hostage due to last minute or short lead time relative to when decisions need to be made. GM Benavente said that management will have a recommendation to the Commission by October. It was agreed that this matter is critical for the next 4 years.

Rating Agency meetings went well and GM Benavente said there is room for improvement; he also discussed peak demand, heat rates and showed graphs related to other production related stats and sales.

5.2.2 Financials

CFO Kim said base revenue for the quarter \$14M; relative to YTD base revenue is about \$1M increase; Kwh is also up and revenues are \$1M increase over PY; Customer growth is about 600 per year

Comm. Sanchez noted payables up from 22M to 39M and asked why. It was mentioned that payables in the books are both for operations and CIP to vendors. Comm. Sanchez said if GPA is making money why are payables so high there is a disconnect somewhere. CFO Kim said he will have to get back to Commission; CCU asking for explanation on this large variance by email.

5.2.3 Resolution 2016-42 Approval of Cabras 3&4 Building Forensic Engineering Services

The project's objective is to provide forensic engineering services to determine the extent of the damage to the Cabras 3&4 plant building. The project is necessary because GPA's Insurers along with their experts had scheduled a site visit to conduct a joint inspection with GPA and Greenspan (GPA's Insurance Adjuster).

The forensic engineering service costs a total of \$281,153 and is further detailed in the attached proposal.

a. NCMA Engineering Services and Coordination	\$ 43,914.00
b. WJE Forensic Investigation and Testing	\$171,255.00
c. Material Investigation-Collection of Samples	\$ 38,343.00
d. Differential Leveling and Survey	\$ 26,168.00
e. Reproduction (Reports, calcs., etc.)	<u>\$ 1,473.00</u>

The work has been completed and to date GPA has received \$50M in insurance proceeds. The Insurance Adjuster has approved this expenditure as a qualified claim. The services were provided by NC Macario & Associates (supported by WJE from Hawaii) through KEWP.

Comm. Bamba motioned to approve Resolution 2016-42; Comm. Sanchez seconded.

In discussion Comm. Bamba asked if this scope will help determine the root cause. The GM said no – this project will only determine the integrity of the building and its foundation.

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

5.2.4 Resolution 2016-43 Relative to Lease of Additional Storage Tank at TGI

Management said the additional storage tank ensures that GPA will have an additional 45,000 barrels of ULSD in addition to the minimum quantities that the suppliers are required to have. This provides additional inventory capacity to extend the operation of the plants in the event of supply shortage. The additional storage tank will be leased at the Tristar Terminals Guam, Inc facilities in Agat and will cost \$22,829 per month for a storage capacity of 45,658 barrels. Throughput fees will be \$0.25 per barrel, or approximately \$11,414 per month for a total estimated monthly cost of \$34,243.00 per month or \$410,916.00 annually and will come from O&M Budget for Fuel Supply. The Lease Agreement with TTGI, the sole source supplier for bulk fuel storage rental will start upon approval of the CCU.

Comm. Bamba motioned to approve Resolution 2016-43; Comm. Sanchez seconded. There was no further discussion or objection and the motion passed.

5.2.5 Resolution 2016-44 Reimbursement to Mobil Oil Guam for Expenses Incurred to Augment Fuel Supply

The additional Fuel Supply shipment will ensure uninterrupted supply of ULSD in the event of unscheduled and prolonged baseload unit forced outages. Additional shipment for August 2016 is necessary and urgent to avert potential supply shortage until the next scheduled shipment in September 2016. The additional ULSD supply will be utilized in the various GPA diesel-fired plants.

Relative to cost, Mobil needs to be reimbursed approximately \$350,000 in additional premium fee cost that will be incurred from an alternate on-island supplier to supplement GPA's ULSD requirement for August 2016. In addition, they also need to be reimbursed approximately \$500,000 that will be incurred to cover ocean freight charges for spot cargo purchase for inserting another ULSD shipment in August 2016 in addition to the pre-scheduled and confirmed shipments to supplement GPA's additional ULSD requirement for September 2016 and October 2016. The total aggregate cost of approximately \$850,000 in additional diesel premium fee cost shall be reimbursed to Mobil Oil Guam, Inc. The funding source for this expense will come from O&M Budget for Fuel Supply.

Comm. Sanchez motioned to approve Resolution 2016-44; Comm. Santos seconded. There was no further discussion or objection and the motion passed with (3) ayes and (1) abstention by Comm. Bamba.

5.2.6 Resolution 2016-45 Approval of Landis+Gyr Contract for Advanced Grid Analytics

If approved, the Advanced Grid Analytics System will provide the capability for the following:

- Voltage analysis/alerts of low and high voltages utilizing AMI data. (View areas graphically where voltages may be an issue)
- Analysis of Distribution transformers loading based on AMI meter data and transformers ratings. (View graphically)

- Analysis for Distributed Energy Resources (DER) and how it will affect the Grid. Analysis of how much DER that a feeder or Substation can handle.

The 6 modules included are: Platform and Asset Loading, Voltage Visualization, Voltage Monitoring, Revenue Protection, DER Optimizer Capacity Contribution, and Reliability Planner.

The software and implementation cost is \$855,000.00 and will be located in the GPWA Data Server Room at the GBN Public Service Building. The funding source is from GPA's CIP annual budget and will be completed by September 30, 2017. There was only one (1) bidder – Landys+Gyr.

Comm. Sanchez motioned to approve Resolution 2016-45; Comm. Bamba seconded. There was no further discussion or objection and the motion passed.

5.2.7 Resolution 2016-46 Approval of FY2017 Budget

GPA Bond Indenture Agreement requires the Authority to provide a copy of an approved budget to the Bond Trustee prior to the beginning of each fiscal year. The General Manager of the Guam Power Authority has created and thoroughly reviewed the budget for Fiscal Year 2017 totaling \$359,355,000 and has carefully scrutinized each line item of the budget and made substantial and significant reductions to the budget document as a whole to ensure that all budget expenditures are consistent with the strategic goals of the Authority.

The Consolidated Commission on Utilities has held a working session in which budget items were reviewed and discussed with the General Manager and his staff and the CCU Commissioners noted that the budget provides funding of Revenue Funded Capital Improvement Projects totaling \$23,640,734.

For the record, the FY2017 Budget provides for:

- a Non-Fuel Revenue forecast of \$160,320,000 and miscellaneous revenues and a Fuel Revenue forecast of \$200,015,000. Total Operations and maintenance budget includes Labor and Retirees' benefit costs of \$44,987,629; Non-Labor costs of \$36,811,386, less Capitalized O&M of \$6,405,094 for total O&M Budget of \$75,393,921; Independent Power Producers costs plus Debt Service of \$38,624,426, Revenue Bond Debt Service of \$30,532,400 and revenue funded Capital Improvement Projects of \$23,640,734 as expressed in the summary of Revenue Requirements dated August 2016 is hereby adopted.
- 510 FTEs excluding the (15) personnel in the GPA Apprenticeship Program for FY2017.
- the General Manager to transfer within the overall approved GPA budget, an amount not to exceed 10%, but must inform the CCU of any transfer at the next scheduled CCU meeting, and any transfer above 10% requires CCU approval, with the exception that there shall be no transfer into the personnel account.
- a budget of \$1.1M for overtime in FY2017 shall be adhered to by the General Manager and the Chief Financial Officer and shall require CCU approval to increase the amount of the overtime budget.
- a Revenue Funded Capital Improvement budget of \$23,640,734 and the General Manager is authorized to petition the Public Utilities Commission (PUC) for approval.
- the General Manager's delegated contract approval authority which remains at \$250,000.

Comm. Bamba motioned to approve Resolution 2016-46; Comm. Sanchez seconded.

In discussion it was mentioned that the budget overall is similar to past budgets with some reduction in fuel costs. Comm. Bamba asked about retirement costs and it was clarified that cost is recouped from the legislative surcharge on both power and water bills and GPA includes this expense in the budget as required by law.

Comm. Santos said that moving forward, there are other items on the budget that the Finance Committee wants to review to save more money – one being health insurance.

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

5.2.8 Resolution 2016-47 Relative to GPA / Navy MOU

The purpose of the MOU is for GPA and the Navy to meet certain objectives that are mutually beneficial and maximize the effectiveness of the overall Department of Defense and the island wide power system at various locations island wide. The MOU does not obligate funds of either party and makes no financial commitments and will be in effect once approved and signed by both parties and can be terminated by any of the parties upon providing 30 days written notice to the other.

Comm. Bamba motioned to approve Resolution 2016-47; Comm. Sanchez seconded.

In discussion, GM Benavente highlighted some key opportunities and why it is important to work with the Navy to include but not limited to the joint use of generation, transmission and distribution assets, emergency response and business continuity planning, IWPS asset transfer and renewable energy. The GM said that all these scenarios will be brought back to the CCU for further review

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

6. **OLD BUSINESS - None**

7. **ANNOUNCEMENTS**

7.1 Next CCU Meetings: Work Session: GPA 9/21, GWA 9/22; Meeting 9/27

The Chairman announced that the next CCU meetings would be a work session for GWA on 9/21; GPA on 9/22 and the regular monthly meeting on 9/27.

8. **ADJOURNMENT**

There was no further business to bring before the Commission and the meeting adjourned at approximately 6:40 p.m.

\\s\\
bls

Attested:



JOSEPH T. DUENAS, Chairman



J. GEORGE BAMBA, Secretary