



CONSOLIDATED COMMISSION ON UTILITIES

Guam Power Authority | Guam Waterworks Authority

P.O. Box 2977 Hagatna, Guam 96932 | (671) 648-3002 | guamccu.org

Regular Board Meeting
CCU Conference Room, Gloria B. Nelson Public Service Building
5:30 p.m., October 20, 2017

MINUTES

1. **CALL TO ORDER**

The Chairman called the regular meeting of October 20, 2017 to order at 5:30 p.m. He announced that three (3) Commissioners were present and that there was a quorum. Comm. Sanchez and Comm. Guthertz were absent and excused.

Those present included:

Commissioners:

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

Executive Mgmt.:

John Benavente	GM / GPA
Paul Kemp	GM (A) / GWA
Melinda Camacho	AGMO / GPA
John Cruz	AGMET / GPA
Tricee Limtiaco	AGMA / GPA
Graham Botha	Staff Attorney / GPA
Kelly Clark	Staff Attorney / GWA

Management & Staff:

Heidi Ballendorf	PIO / GWA
Karen Grape	IT / GWA
Zina Charfaurous	HR / GWA
Ron Topasna	GWA
Joyce Sayama	Mgmt. Analyst / GPA Ex. Office
Lou Sablan	Board Secretary / CCU

Guest:

Charlene Calvo	IP&E
Angelica Perez	AM Insurance
Annamarie Muna	AM Insurance

Dennis Couzjin
Rudy Mañanane

Yigo Resident
Yigo Mayor

2. APPROVAL OF MINUTES

The Minutes of the Special Meeting of October 13, 2017 was presented for approval.

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

3. COMMUNICATIONS

3.1 Public Comments

Mr. Dennis Couzjin, a resident of Yigo addressed the Commission about the continuous water outage happening in Mt. Santa Rosa, Yigo. He complained about the length of the outage in his area and cited seven (7) instances since 2015 to present that Mt. Sta. Rosa lost water. Mr. Couzjin also said that root cause for the outage was lack of replacement parts which he found out to be true after being told on many occasions from GWA staff that the outage was due to pressure problems and that it was being monitored. He completed his commentary by saying heads should roll, someone should be held accountable and that he and other ratepayers affected by this continuous circumstance should not have to put up with it. There are a lot of people being inconvenienced by GWA's lack of responsibility.

Mr. Rudy Mantanona, Mayor of Yigo also addressed the Commission. He said he is here in support of Mr. Couzjin. He said he too has had many of his constituents calling his office to complain about the water outage and the inconveniences that the long outage causes. He said GWA has been in existence for many years and should do a better job at keeping stock / inventory. He pleaded with management to make things better for our people and said he hopes to get a phone call from GWA management to give him a good explanation for the outages – one that he can share with his many constituents.

4. NEW BUSINESS

4.1 GWA

4.1.1 GM Report Update

Acting GM Kemp said there is some changes to the GM report and is in Board Books. He said he wanted to address the issue with abandoned calls and stated that USA San Agustin said some of the calls registered under abandoned calls are those received during lunch. Comm. Bamba said that there should always be someone available to answer the phones. Comm. Bamba said he personally has had issues personally where the Voice Mail responds saying he would get a callback but no one called him back. This is not acceptable – all call-ins should be responded to. USA San Agustin says Voice Mails are checked and cleared at least twice a day. When reviewing the Shoretel reports she notices that 78 calls were received and 48 were abandoned but this was done during the weekend when no one is here. She said there is absolutely room for improvement but wanted to point this out. She also confirmed she has been meeting with AGMA Limtiaco to work together with GPA to fine-tune our call processes and are actively working with Shoretel to resolve some of these issues. Comm. Bamba said that we are a 24/7 operations and only dispatch number is listed publicly as a 24/7 contact. There was discussion about who handles calls about outages; the response was dispatch.

Comm. Bamba said GWA management needs to better their service or response time on GWA dispatch – right now no one is answering the phone. Comm. Santos asked who the in-house Shoretel expert is in GWA or GPA IT – it was mentioned that there is none. He said Shoretel needs to own up to their service because we are not satisfied.

Comm. Duenas asked GM Benavente how GPA handles this matter and the GM responded that dispatch handles calls related to outages and finance handles calls related to billing – the same as GWA.

Acting GM Kemp said the CCU wanted data on the sequence of outages; an appendix is included in the GM's report. He said the Barrigada water outage which started with the well going down. The tanks didn't fill as expected which was the root cause of the outage. He explained that there's a series of steps that must be taken when this happens. He reported that Barrigada had a bearing problem and it was fixed at the GPA shop. He also reported that hard down wells are being redrilled in hopes to get them back up and operational again.

Comm. Duenas asked the timeline for implementation of SCADA; GM Benavente said possibly July. Comm. Duenas asked for timeframe as to when management expects this project to be completed, the Commission wants an update from both him and GM Bordallo. Comm. Duenas said to GM Benavente that the Commission would like an update in Nov/Dec on status of SCADA for both GPA and GWA showing timeline for completion by percentages – 20% completion by this date, 40% by that date.

GM Benavente said he would email the CCU a presentation that GPWA GM's were going to present to CCU in October but postponed due to heavy agenda. The Chairman said to email for advanced review and to send report before the November meeting.

Comm. Duenas said to Acting GWA GM Kemp an update on GWA's reordering system. GWA Legal Counsel responded that a system is in place for quarterly inventory refurbishment. GPA GM Benavente added that the parts supply for replacement parts for the wells are on order but lead time is lengthy and the inventory cost is in the millions. He added that the Commission will see inventory improvements in 2-3 months. He said the team has identified key problems and solutions are being discussed for best practices.

GWA Management reported on status of NAS 1 Well – GM Benavente said that the team is working on this now and will report to the Commission an update. Comm. Duenas asked for a target timeline. Comm. Santos said GWA inherited a problem and there's a possible solution with the activation of NAS 1 Well that is why this project is very important.

4.1.2 Financials

Financials were not discussed at this meeting.

4.1.3 Resolution No. 01-FY2018 Relative to the Creation and Addendum of Certified, Technical and Professional (CTP) List of Positions and to Adopt CCU Resolution No. 2012-49 as an Approved Business Process for Guam Waterworks Authority

The objectives are to provide for the integration of previously non-CTP positions for which specific knowledge of utility systems and/or operations is required, into the list of CTP

positions; and, we request the Board's approval of the proposed creation of positions and the addition of the previously non-CTP positions to the list of CTP positions. These actions are necessary to maintain uniformity in the application of the promotion/demotion/transfer pay policy relative to CCU Resolution No. 2012-49 for all CTP positions covered under the Strategic Pay Scale, and to apply CCU Resolution No. 2012-49 to GWA business processes.

The matters covered under this resolution are necessary and urgent to address the obsolete pay grades that were in place since 2007 and to allow for a refit and reset of the new pay grades that will coincide with the 2017 market data. There is no related cost to adopt the resolution other than payroll. The transition will take effect January 1, 2018.

Comm. Bamba motioned to approve Resolution 01-FY2018; Comm. Santos seconded. There was no further discussion or objection and the motion carried unanimously.

4.1.4 Resolution No. 02-FY2018 Relative to the Adoption of the 2017 Market Update and the Approval to Migrate to the 10th Market Percentile for the Guam Waterworks Authority's

To adopt recommendations of utility market review and update for GWA's pay scale. In order to meet these objectives, GWA also requests the Board to accept the recommendations of the market review update for CTP positions, including a new pay scale, the refit and reset of new grades to coincide with the 2017 market data. These actions are necessary to maintain uniformity in the application of the promotion/demotion/transfer pay policy relative to CCU Resolution No. 2012-49 for all CTP positions covered under the Strategic Pay Scale, and to apply CCU Resolution No. 2012-49 to GWA business processes.

The matters covered under this resolution are necessary and urgent to address the obsolete pay grades that were in place since 2007 and to allow for a refit and reset of the new pay grades that will coincide with the 2017 market data. The cost to migrate to the 10th market percentile is estimated to be \$1.2M and upon CCU approval, the transition to the new pay scale is anticipated to take effect on January 1, 2018. The FY2018 Budget is the funding source for this project.

Comm. Bamba motioned to approve Resolution 02-FY2018; Comm. Santos seconded. There was no further discussion or objection and the motion passed.

4.1.5 Resolution No. 03-FY2018 Relative to Approving the Construction Management Contract for Tumon No. 2, Hyundai, and Chaot No. 2 Tank and Systems Upgrades

The project is part of the 2011 Court Order Paragraph 29 – Storage Tank/Reservoir Repair, Replacement, and Relocation Program. As a Court Order project, it is necessary and urgent to work towards meeting the Court Order deadlines. The project's objective is to provide construction management services for the construction of the Tumon No. 2, Hyundai, and Chaot No. 2 tank project. The construction management contract includes Tumon No. 2 tank with offsite upgrades, Hyundai tank, and Chaot off-site upgrades.

The location for this project include Tumon No. 2 – the tank located on Marine Corp. Drive adjacent to the Nissan Dealership. Offsite upgrades will include PRVs on Pale San Vitores Road and Marine Corp Drive. Hyundai - tank is located in Barrigada Heights off South Sabana Drive. Chaot Offsite: Work is located on Dero Road, A-Series wells, and the Chaot/Agana Height tank sites.

The fee proposal is for One Million Nine Hundred Fifty Four Thousand Eighty Nine Dollars (\$1,954,089.00). Scope of work includes Tumon No. 2 tank with offsite work, Hyundai tank, and Chaot offsite work. With a ten percent (10%) contingency included of One Hundred Ninety Five Thousand Four Hundred Eight Dollars and Ninety Cents (\$195,408.90), to bring the total authorized funding amount to Two Million One Hundred Forty Nine Thousand Four Hundred Ninety Seven Dollars and Ninety Cents (\$2,149,497.90) is \$2,149,497.90.

Bid responses were brisk with 22 firms who picked up packets and 7 proponents who submitted completed bid packets. Management further explained that CM services is for 16 months. The start date is dependent on the construction contract and the funding shall be from PW 09-11: Water System Reservoirs 2005 Improvements, PW 12-04: Agana Heights and Chaot Tank Construction, and PW 12-06: Tank Replacement Piti and Hyundai Tanks.

Comm. Bamba motioned to approve Resolution 03-FY2018; Comm. Santos seconded. There was no further discussion or objection and the motion passed.

4.2 GPA

4.2.1 GM Report Update

GM Benavente said the GM report is the same as the work session with one change – the addition of the proposed LEAC adjustment in December based on current trends. The Commission, at the last meeting, asked management to determine what the projected LEAC factor would be based on 100% vs. 50% fuel recovery. He said the CFO examined scenarios using 80% RFO / 20% diesel fuel and another with 70% RFO and 30% diesel based on low, medium and high fuel projections. The report below is the outcome of CFO Kim’s study. Current fuel prices is about \$52 (or #2 below).

LEAC Scenarios – February 1, 2018

	Projected LEAC Rate		Projected Increase from current rate of \$0.117718		Projected Under-Recovery 7-31-2018
	50% Recovery	100% Recovery	50% Recovery	100% Recovery	50% Recovery
Scenario A - Dispatching 80-20					
1 Low Fuel Price (\$45-\$50/Bbl)	\$ 0.127877	\$ 0.138037	\$ 0.0102	\$ 0.0203	6.1
2 Medium Fuel Price (\$50-\$55/Bbl)	0.134792	0.151866	0.0171	0.0341	10.4
3 High Fuel Price (\$55-\$60/Bbl)	0.141706	0.165695	0.0240	0.0480	14.5
Scenario B - Dispatching 70-30					
1 Low Fuel Price (\$45-\$50/Bbl)	0.132441	0.147162	0.0147	0.0294	8.9
2 Medium Fuel Price (\$50-\$55/Bbl)	0.139809	0.161900	0.0221	0.0442	13.4
3 High Fuel Price (\$55-\$60/Bbl)	0.147178	0.177738	0.0295	0.0600	17.8

CFO Kim said based at current barrel prices of \$50-\$55 at 100% recovery the rate increase is 15 cents; at 50% recovery will be 13 cents or 3.4 cent recover or 1.7 cent recovery, respectively.

Comm. Bamba commented that WTI report shows futures prices are less (than what GPA is quoting) adding that these are future prices. If futures prices are lower than GPA's actual, he asked if GPA reconciles these prices prior to determining the LEAC factor, if any. In response, CFO Kim said management take Morgan Stanley prices and update futures about 3 months and plug in GPA's models to determine the LEAC forecasting. He reminded the Commission that the LEAC model keeps track of current inventory purchased at previous prices (\$47 - \$50) which is averaged out about 4 months and to this add 2 months of current fuel prices. All these factors are plugged into GPA's LEAC models to determine the projected LEAC forecast. The CFO said this number is projected through August with projections based on current trend, Morgan Stanley futures prices. GM Benavente said when management comes back to the CCU in December, the futures prices will be used in the models to determine the projected LEAC factor. The GM said again that this is all based on 80/20 usage baseload to diesel fuel. Comm. Bamba reiterated that management must ensure that the prices used in these LEAC calculations are reconciled using futures pricing prior to determining the LEAC calculation.

CFO reminded the Commission that the current projection includes the current under recovery is 10M and LEAC must be increased by 15 cents to recover at 100%. The illustration above shows what the increase would be like at the 50% and 100% increase, respectively. The Chairman said the under recovery cannot go forward indefinitely. In December hopefully management will have better information and management needs to let the Commission know which rate will get back the \$10M under recovery.

The CCU asked management to show the Commission at the November work session how the LEAC factor is trending.

In terms of LEAC Comm. Santos the number that management is looking at for 100% recovery is 15 cents increase. The CFO confirmed yes.

Billing Illustration - Residential

	RATE SCHEDULE R					
	Existing Rate		Proposed Rate (50%)		Proposed Rate (100%)	
KWH		1,000		1,000		1,000
Monthly Charge	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00
Non-Fuel Energy Charge						
First 500 KWH	0.069550	34.78	0.069550	34.78	0.069550	34.78
Over 500 KWH	0.086870	43.44	0.086870	43.44	0.086870	43.44
Emergency Water-well charge	0.002790	1.40	0.002790	1.40	0.002790	1.40
Insurance Charge	0.000000	-	0.000000	-	0.000000	-
Working Capital Fund Surcharge	0.000000	-	0.000000	-	0.000000	-
Total Electric Charge before Fuel Recovery Charges		94.61		94.61		94.61
Fuel Recovery Charge	0.117718	117.72	0.134792	134.79	0.151866	151.87
Total Electric Charge		\$212.32		\$229.40		\$ 246.47
Increase/(Decrease) in Total Bill				<u>\$ 17.07</u>		<u>\$ 34.15</u>
% Increase/(Decrease) in Total Bill				<u>8.0%</u>		<u>16.1%</u>
% Increase/(Decrease) in LEAC rate				<u>14.5%</u>		<u>29.0%</u>

4.2.2 Financials

Financials were not discussed at this meeting.

5. OLD BUSINESS – None

6. ANNOUNCEMENTS

6.1 Next CCU Meetings

The Chairman announced that he next meeting would be a work session for GWA on November 14; work session for GPA on Nov. 16 and the regular monthly CCU meeting on Nov. 21.

The Chairman also clarified the start time for CCU meetings. work sessions are at 4:30 p.m. and CCU meetings at 5:30 p.m.


7. ADJOURNMENT

There was no further business to bring before the Commission and the meeting was adjourned at 6:43 p.m.

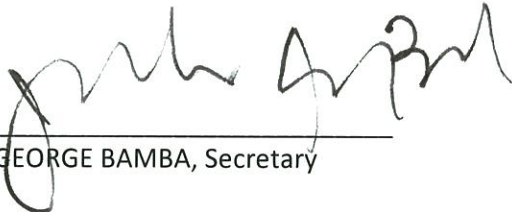
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Attested:



 JOSEPH T. DUENAS, Chairman



 J. GEORGE BAMBA, Secretary