



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
4:30 p.m., September 26, 2017

MINUTES

1. CALL TO ORDER

The Chairman called the regular monthly meeting of September 26, 2017 to order at 5:30 p.m. He announced that all five (5) Commissioners were present.

Others present include:

Commissioners:

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

Executive Mgmt.:

John Benavente	GM / GPA
Miguel Bordallo	GM / GWA
John Kim	CFO / GPA
Greg Cruz	CFO / GWA
Melinda Mafnas	AGMO / GPA
John Cruz	AGMET / GPA
Tricee Limtiaco	AGMA / GPA
Graham Botha	Staff Attorney / GPA
Kelly Clark	Staff Attorney / GWA

Management & Staff:

Paul Kemp	AGM Compliance & Safety / GWA
Manny Apuron	IT / GWA
Geigy Salayon	Asset / GWA
Ron Topasna	P&T / GWA
Vincent Pangelinan	GWA
Art Perez	PIO / GPA
Vince G.	GWA
Zina Charfauros	Personnel Admin. / GWA HR

Jacalyn Taisacan	Customer Service / GWA
Linda Benavente	Customer Service / GWA
Karen Grape	GWA / IT
Joyce Sayama	Mgmt. Analyst / GPA Ex. Office
Ann Borja	Mgmt. Analyst / GWA Ex. Office
Lou Sablan	Board Secretary / CCU

Guest:

Bill Gilman	Brown&Caldwell
George Watson	Brown&Caldwell
Dela Cruz, WW	KUAM
Andy Niven	Commissioner / PUC
Bill Chang	Brown&Caldwell
Annmarie Muna	AM Insurance
Angela Perez	AM Insurance

2. APPROVAL OF MINUTES

The Minutes of August 29, 2017 was presented for approval.

Comm. Guthertz 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 - None

4. NEW BUSINESS

4.1 GPA

4.1.1 GM Report Update

There was no GM Report Update given at this meeting

4.1.2 Financials

There was no discussion relative to this matter.

4.1.3 Resolution No. 2017-29 Relative to Approval and Implementation of a Unified Zero Tolerance Drug & Alcohol Policy for GPA and GWA (GWA Resolution No. 42-FY2017)

The CCU has directed GPA and GWA to review its drug testing policies to ensure that the Agency maintains a drug- and alcohol-free workplace. GPA and GWA have drafted a new unified DRUG- AND ALCOHOL-FREE WORKPLACE policy that makes changes from the previous policy that allowed employees to a complete a drug treatment program, and remain employed provided they successfully completed a drug treatment program. GPA and GWA recognize that while the previous policies provided counseling and treatment to employees, it does not deter employee drug and/or alcohol use and its adverse effects on job performance in the workplace. The new draft DRUG- AND ALCOHOL-FREE WORKPLACE POLICY provides for a zero-tolerance drug policy, such that if an employee tests positive for drugs they will be terminated as an employees of GPA and GWA. To ensure a drug-free workplace, every employee shall be tested for illicit drugs at least once a year. The management has provided notice, informational sessions, and solicited comments from GPA & GWA employees, including supervisors and managers regarding the new draft DRUG-AND ALCOHOL-FREE WORKPLACE policy.

Management of GPA and GWA request the Consolidated Commission on Utilities to adopt the draft unified DRUG- AND ALCOHOL-FREE WORKPLACE policy as follows:

The unified DRUG- AND ALCOHOL-FREE WORKPLACE policy for GPA and GWA is hereby adopted to include employees of GPA and GWA. All Consolidated Commission on Utilities members and employees shall be subject to the DRUG- AND ALCOHOL-FREE POLICY, and accordingly, will be placed in the employee population for random testing. This policy shall be effective for the Guam Power Authority and the Consolidated Commission on Utilities on October 1, 2017. This policy shall be effective for the Guam Waterworks Authority upon completion of the Guam Administrative Adjudication Act process. GM Benavente said GPA will implement effective 10/1/17 and GWA in 90 days or around Jan 1, 2018,

Comm. Bamba asked if this matter needs to comply with Triple A process and Legal Counsel Kelly confirmed yes. Comm. Duenas said this resolution was discussed in detail during the recent work session and asked for clarification – if an employee comes asking for help before being tested will they be granted counseling process and the response was yes. Comm. Duenas added that HR will administer a mandatory briefing on the proposed drug policy and have each employee acknowledge or sign their understanding about the new zero tolerance policy.

Comm. Bamba motioned to approve GPA Resolution 2017-29 / GWA Resolution 42-FY2017; Comm. Guthertz seconded. On the motion there was no further discussion and the motion passed.

It was again mentioned that the approval is for the policy for both GPA and GWA but each agency will have different start dates – GPA on Oct. 1, 2017 and GWA on Jan 1, 2018.

4.1.4 Resolution No. 2017-35 Ratification of Poll Vote on Approval of FY'2018 Budget

Section 8117 of Chapter 8 of Title 12 of Guam Code Annotated authorizes the Consolidated Commission on Utilities (CCU) to adopt an annual budget for the Authority. Section 6.11 of the 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 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. The Fiscal Year 2018 Budget is based on a Non-Fuel Revenue forecast of \$165,064,000 and miscellaneous revenues and a Fuel Revenue forecast of \$250,707,000 for total revenues of \$415,771,000.

Total Operations and Maintenance budget includes Labor and Retiree's benefit costs of \$48,294,006; Non-Labor cost of \$34,257,992 less Capitalized O&M of \$6,794,853 for *total O&M Budget of \$75,757,145*; Bad Debt Expense of \$1,039,000; Independent Power Producers costs plus Aggreko Payments of \$43,719,000; Debt Service of \$30,168,000; Production Fuel of \$248,677,000 and revenue Funded Capital Improvement Projects of \$25,230,000. Funds pledged for the Bond Reserves are not included in the overall budget amounts.

The General Manager of the Guam Power Authority has created and thoroughly reviewed the budget for Fiscal Year 2018 totaling \$415,771,000. The CCU Commissioners noted that the budget provides funding of Revenue Funded Capital Improvement Projects totaling \$25,230,000.

This matter was poll voted for \$418M O&M to include fuel and non-fuel; \$25.230M for revenue funded CIP etc. There was a lengthy discussion about LEAC and whether or not the budget provided for fuel included the recovery of the \$13M current under recovery.

Comm. Bamba asked about under-recovery does the budget include the under recovery. Comm. Simon chimed in saying this was the CCU's main concern Does the \$248 recover the \$13M? What would LEAC factor have to be on Feb 1 to recover the \$248M and the \$13M.

GM Benavente said the LEAC is not dependent is what we spend and what we project for the next 6 months. The \$248M is only authorization to spend up to this amount. Commissioners Sanchez and Bamba understood this but wanted further clarification.

Asst. CFO Montellano said fuel forecast was \$225M in FY17 the projected actual is estimated at \$166M. With the \$15M our estimated expense is \$181M, the expense for the year. The Budget is \$248M includes all the fuel cost, handling etc.

Comm. Sanchez asked what is the forecasted increase will be in February to recover the \$13M; GM Benavente said that yes there will be an increase in LEAC come February 1 by 11.77 to 13.77 or 8-10%

For budget purposes the CFO said the \$248M covers for the trending fuel cost of \$60 per barrel and the under recovery of \$13M at 100%. He reiterated that the LEAC projected increase in February but the magnitude is dependent on the policy call of the CCU.

GM Benavente said he will get the LEAC figure to the Commission because he does not have this figure right now.

Comm. Sanchez said this is a good exercise for next year's fuel budget. He recommended doing a LEAC projection for each related annual fuel budget request.

4.1.5 Resolution No. 2017-38 Relative to the Creation and Addendum of Certified Technical and Professional (CTP) List of Positions and Adoption of Market Update for GPA & GWA (GWA Resolution No. 53-FY2017)

The aim of this project is to improve GPWA business processes, optimize its assets and maximize employee's performance through the consolidation of its pay policies and all positions under an updated Strategic Pay plan. It is necessary to create new utility-specific CTP positions and fill these positions with existing employees who have the requisite training and skills. It is necessary to accept the 2017 market update report and adopt an updated pay scale necessary to maintain the utilities' position in the market place aimed at being externally competitive in attracting and retaining talented, skilled employees. It is necessary that CCU Resolution No. 2012-49 apply to both GPA and GWA business processes to promote equity and uniformity in the utilities' promotion, demotion, and transfer pay policies.

The cost for the migration to 15th and 20th market percentile is \$2,281,785 and \$2,955,775 respectively, per 12-month calendar year. The recommended 2017 15th market percentile update will be implemented in January 2018, thus the *FY2018 cost is estimated at \$1,725,000* (\$1,121,250 base salary + \$603,750 benefits) from January - September.

Upon approval by the CCU, the implementation date is January 6, 2018 for the 15th market percentile and January 6, 2019 for the 20th market percentile and will be funded thru revenue funds.

It was mentioned that GPA will implement the migration to the 15th percentile on Jan 6. The full year annualized cost to do this is \$2.28M including benefits =and the cost for' FY2018 impact is \$1.7M including benefits.

Comm. Santos asked what factor was used to calculate for benefits, CFO Kim responded 35% inclusive of medical, life, dental. Comm. Santos asked at what class structure – single, family? Is it the highest government rate at the health insurance side? Management said they do not have this information right now. Comm. Santos said he wants to know what the realistic figure is for this factor because this is a huge cushion. He is interested to know how much of the \$700k is imbedded in this figure.

Comm. Sanchez said GPA wants to do migration to 15th market percentile in 2018 and 20th percentile in 2019. It would cost \$3M to move to 20th market percentile in 2020 – a 700k annual difference. \$1.7M in FY18 is in budget but what about the budget for the 2019 migration.

Comm. Duenas asked both legal counsels Botha and Kelly if language if approved tonight approves 20th percentile migration in 2019; Counsels Botha and Kelly confirmed yes.

Comm. Sanchez said it would be better to work on the migrations one at a time instead of the way the resolution is written. He would prefer management to approach the Commission with each migration and not automatically approve future migrations the way the resolution is currently written. Other Commissioners agreed.

Comm. Sanchez moved to approve GPA Resolution 2017-38 / GWA Resolution No. 53-FY2017 for discussion; Comm. Bamba seconded.

Comm. Sanchez said he would like to amended the resolution Line 65 to delete phrase “and to the 20th market percentile in Jan. 6, 2019” and on Line 68 delete last 2 sentences in that resolve the entire sentence beginning with work “thereafter” and ending with word funds; JG seconded

On the amendment – all voted yes; no objections

Comm. Santos wanted clarification from CFO Kim and Cruz if the funds for these migrations are on the approved budgets? GPA CFO Kim said yes; GWA CFO Cruz said no funding for migration is not in FY2018 budget.

Discussion on GWA side of the resolution followed. GWA GM Bordallo said it would cost \$1.2M to go to 10th percentile January 2018.

Comm. Sanchez said for the record GWA included in the budget the hiring of 51 people but if this is not going to happen there may be some monies available. Comm. Santos asked what is the value of 51 positions CFO Cruz said \$3M. GM Bordallo said management is trying to fill these positions or at least 26 of the 51 positions in FY18.

Comm. Sanchez said the timing of GWA CTP migration is not critical tonight. He said he would like to hear what PUC has to say about GWA's request for a 4% rate increase. He recommended to table GWA piece of the puzzle to see what PUC decides on the increase and to allow management more time to decide how GWA wants to implement migration to CTP 10. Comm. Sanchez felt strongly that the CTP resolution should not be combined GPA-GWA, it should be separate.

Comm. Bamba asked CFO Cruz what is track for budget vs. actual; CFO Cruz responded that currently revenues are underperforming.

Comm. Sanchez motion to delete Resolved #3 in its entirety and delete any reference to GWA in reset of the resolution; Comm. Bamba seconded

On the amendment there was no objection; all voted yes

On main motion as amended – no further discussion – all voted yes. The motion carried unanimously.

4.1.6 Resolution No. 2017-39 Approval of the Bid for 180 MW Power Plant

The Guam Power Authority is developing the technical bid documents for the new power plant. However GPA is still in the process of acquiring the property to site the new plant and the land details will be required in the bid documents. GPA is proposing a three step bid process that requires a prequalification of bidders based on experience and financial capability to execute a contract for the construction, commission and operation of a power plant up to 180MW in capacity. The remaining steps are the qualification of the technical proposal and the cost evaluation. Since bidder qualifications will not be based on any technical requirements and does not require the technical bid documents, GPA would like to proceed with the bidder qualification process to establish the Qualified Bidders List. This parallel process while the technical bid documents are being finalized will aid to minimize further schedule delays on the commissioning of the new plant. The projected timelines will allow GPA to complete the bid documents and obtain necessary approvals upon the finalization of a Qualified Bidders List.

GPA is presently evaluating and negotiating the land acquisition for property in the Harmon area.

The allowance of the RFQ process will shorten the procurement schedule by 3-4 months if done parallel with finalization of bid documents. A summary of the proposed bid schedule is provided below.

Milestone	Complete
IPP RFQ Advertised	Nov-17
Evaluate / Qualify Bidders	Feb-18
Land Acquisition & Process	Jan-18
Finalize IPP Bid Documents	Jan-18
Announce IPP Bid	Mar-18
Evaluate / Qualify Technical Proposals	Aug-18
Evaluate/ Select Price Proposal	Sep-18
Negotiations & Final Recommendation	Oct-18
Notice to Proceed	Dec-18
Commissioning	Dec-21

It was mentioned that the funding source for this project is revenue bonds.

GM Benavente said he is asking to petition the PUC on the bid process on 180MW power plant. Management proposes a multi-step bid – a 3-step process; 1) proponents provide qualification and financial capability to be short listed; 2) short list is provided technical proposal to bid specs & provide costing and 3) for those accepted the price proposal opening follows.

The Chairman said for the record - (2) Commissioners have recused themselves on this matter - Comm.Bamba and Comm. Sanchez.

Chairman Duenas reiterated that management will procure the land and the project will be to Build Operate and Transfer (BOT). This action is to establish a list of interested parties and for clarification the CCU approves and PUC also must approve – management concurred.

Comm. Santos said he likes the timetable provided but where is the factor for protests etc. GM Benavente said he hopes there is no protest. Legal Counsel Botha said that GPA has done multi-step bids before the one thing we are doing different is to establish parties who are financially stable.

Comm. Santos asked again if this project was a build, operate and transfer; management’s response was yes. He then asked how does the CCU move forward if someone approaches him with an opportunity tomorrow; this is a valid question and the burden for this very large project is put on just 3 people. If a business opportunity came to him why would he not be able to accept the business opportunity.

There was discussion about conflicts of interest. Comm. Guthertz said the Commission drafted and adopted a Code of Ethics that was signed by all Commissioners. They all agreed yes and that is why Comm. Sanchez and Bamba has recused themselves from this resolution. They both are engaged with companies that may be interested to place a bid so for now they are conflicted and thus have asked to be recused.

In response to Comm. Santos's inquiry about the future and what if he were presented with an opportunity, Legal Counsel confirmed that for now, Comm. Santos is not conflicted and is able to vote on this resolution tonight but if in the future he becomes conflicted, he must recuse himself. At that point, this matter then is dead in the water.

Comm. Guthertz stated for the record, she does not entertain conflict and will not accept opportunity that will force her to be conflicted. Comm. Duenas said the same goes for him.

Comm. Santos asked what the law says about CCU action items; Legal Counsel Botha confirmed that three (3) is a quorum and 3 affirmative votes are needed to pass an action.

Comm. Guthertz motioned to approve Resolution 2017-39; Comm. Santos seconded. There were three yes votes and the motion passed without further discussion or objection.

4.1.7 Resolution No. 2017-40 New RFO Fuel Supply Contract

The Guam Power Authority's current contract for Supply of Residual Fuel Oil No.6 for the Baseload Plants is expiring in August 31, 2018. The fuel supply contract is necessary to provide uninterrupted supply of fuel for the Baseload plants – Cabras 1&2 and MEC 8&9. The 3-year contract is estimated to exceed \$1.5M requiring prior approval from the PUC.

The contract is planned for an initial period of three (3) years to commence on or about September 01, 2018 and to expire on August 31, 2021, with the option to extend for two (2) additional one-year terms. The funding source is revenue funds and the IFB solicitation will commence after CCU approval.

Comm. Santos motioned to approve Resolution 2017-40; Comm. Guthertz seconded.

In discussion it was mentioned that the existing contract for RFO supply expires on 12/31/18 and this resolution if approved will keep supply going through transition to the new generation plant.

For the record the vote was (4) yes and (1) abstention by Comm. Bamba. The motion passed.

4.1.8 Resolution No. 2017-41 Ultra Low Sulfur Diesel (ULSD) Contract Extension

The Guam Power Authority's current contract for Supply of Diesel Fuel Oil No. 2 for the Baseload Plants and Peaking Units expires on December 31, 2017. Through CCU Resolution 2015-05, a Multi-Step Bid GPA-057-17 to procure a new supply contractor was issued with the intent to award before December 2017. The bid was cancelled due to changes in operation requirements, anticipated dispatching for the next 3-5 years, as well as inquiries raised by prospective bidders requiring major revisions in the current structure of the bid. The CCU Resolution No. 2017-33 approved the revised bid documents which requires and is pending PUC approval.

Based on a projected bid schedule for the re-solicitation for a Diesel supply and delivery contract, the new contract is anticipated to commence July 01, 2018. GPA requires an extension of supply and delivery services for 6 months from January 01, 2018 to June 30, 2018.

Diesel Fuel Oil No.2 supply will be stored at GPA-leased tanks in the Tristar Facility. From the tank, it will be delivered via tanker truck and pipeline (if the option is available) to the Baseloads (Cabras 1&2 and MEC 8&9), Fast Tracks (Manenggon and Talofoto), TEMES CT and Northern Plants (Dededo CT, Macheche CT and Yigo CT, Aggreko)

The estimated quantity for 6 months is approximately 16 million gallons (~380,000 barrels) of ULSD at an estimated premium fee cost of \$0.3500/gallon for a total cost of approximately \$5.6M. The contract will be extended for a period of six months to commence on or about January 01, 2018 and to expire on June 30, 2018. The funding source for this expense is fuel revenue funds.

It was mentioned that price proposals were submitted by Mobil Oil Guam and IP&E. IP&E was determined to have the lowest price proposal (Exhibit A

Comm. Sanchez motioned to approve Resolution 2017-41; Comm. Santos seconded. On the motion there were (4) ayes and (1) abstention by Comm. Bamba.

4.1.9 Resolution No. 2017-42 Approval for Purchase of Land for New 180 Power Plant

This matter was tabled and not discussed.

4.2 GWA

4.2.1 GM Report Update

There was no GM Report Update at this meeting.

4.2.2 Financials

There was no discussion relative to this matter.

4.2.3 Resolution No. 42-FY2017 Relative to Adoption and Implementation of a Unified Zero Tolerance Drug & Alcohol Policy for GPA and GWA (GPA Resolution No. 2017-29)

This matter was discussed at the top of the meeting under Section 4.1.3.

4.1.4 Resolution No. 53-FY2017 Relative to the Creation and Addendum of Certified, Technical and Professional (CTP) List of Positions and Adoption of Market Update for GPA & GWA (GPA Resolution No. 2017-38)

This matter was discussed at the top of the meeting under Section 4.1.5. The Commission decided to postpone any action related to GWA at this time to allow GWA management to further study a manageable level of market percentile increase. This matter will be brought up again for CCU review and action at a future meeting.

4.1.5 Resolution No. 54-FY2017 Relative to Approving Contract Amendment No. 7 for Program Management Services

The objective of the project is to provide additional Program Management Services to GWA. The PMO currently provides various engineering services, financial analysis, and operational training to GWA and there is a need for additional services above the original contract value and amendments to date. The additional services needed include general programmatic work that covers needs throughout GWA, consulting engineer's report for 2018 revenue bond financing, project management for new wells AG10, AG12 and Y8, hydraulic modeling and training for wastewater collection system, and continued assistance with project management

over USEPA SRF projects. The proposed amendment and funding are generally in line with GWA Management's transition plan for the PMO as presented to the PUC in December of 2016.

The additional cost for PMO services is Two Million Ninety Five Thousand Nine Hundred Four Dollars (\$2,095,904.00). The latest PMO service related to this Amendment No. 7 will be completed by December 2018.

The source of funding will be from the 2010, 2013 and 2015 bond series proceeds, GWA revenue funds as well as State Revolving Funds that are applicable to the PMO's work and which are eligible to be used.

Comm. Bamba motioned to approve Resolution 54-FY2017; Comm. Santos second.

In discussion Comm. Guthertz asked how much longer would this program be needed and management responded that the program is necessary. Management responded the contract is up in the Spring of 2019. Comm. Guthertz followed up asking Brown & Caldwell's work is complete does GWA have the capacity to do the service in house. GM Bordallo said we will never have the technical expertise that they offer and service contracts will be procured on an as needed basis.

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

5. **OLD BUSINESS - None**

6. **ANNOUNCEMENTS**

6.1 **Next CCU Meetings**

The Chairman announced that the next CCU meeting would be a work session for GWA on Oct. 17, work session for GPA on Oct. 19 and the CCU meeting on Oct. 24.

The Chairman said GWA Legal Counsel has advised of a litigation matter for discussion in Executive Session.

The Chairman then asked for a 10 minutes recess; it was 7:00 p.m.

7. **EXECUTIVE SESSION**

7.1 **Litigation Matter**

This matter was discussed.

The chairman announced that the meeting was not back in regular session; it was 7:15 p.m. He asked if there was a motion in order.

Comm. Bamba moved to approve Resolution 55-FY2017 Relative to the Rosinni Baloran Government Claim No. 2017-010 as discussed in Executive Session; Comm. Guthertz seconded.

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


8. **ADJOURNMENT**

There was no further business to bring before the Commission and the meeting was adjourned at 7:20 p.m.

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Attested:



JOSEPH T. DUENAS, Chairman



J. GEORGE BAMBA, Secretary