



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
12:00 p.m., March 24, 2020**

MINUTES

1. CALL TO ORDER

The CCU Chairman called the regular meeting of March 24, 2020 to order at 12:30 p.m. He said four (4) Commissioners were present – Comm. Sanchez, Guthertz and he were seated in the Board Room, Comm. Santos was present via GoToMeeting but in another part of the building. Comm. Limtiaco was enroute. Others in attendance include:

Commissioners:

Joseph T. Duenas	CCU Chairman
Francis E. Santos	CCU Vice Chairman [via GoTo Mtg]
Michael T. Limtiaco	CCU Secretary
Judith P. Guthertz	CCU Treasurer
Simon A. Sanchez	Commissioner

Executive Mgmt.:

Miguel Bordallo	GM / GWA
John Benavente	GM / GPA
Tricee Limtiaco	AGMA / GPA
John Kim	CFO / GPA
Kelly Clark	Legal Counsel / GWA
Graham Botha	Legal Counsel / GPA

Management & Staff:

Tom Cruz	Chief Engineer / GWA
Ken Gutierrez	Safety Admin. / GPA
Patti Diego	Communications / GPA
Vien Wong	IT Support / GPA IT
Vladimir Navasca	IT Support / GPA IT
Joyce Sayama	Mgmt. Analyst / GPA Ex.Office
Ann Borja	Mgmt. Analyst / GWA Ex Office
Lou Sablan	Board Secretary / CCU [via CCU YouTube]

2. APPROVAL OF MINUTES

The Minutes of August 29, 2019 and October 29, 2019 were presented for approval.

Comm. Guthertz motioned to approve the Minutes as presented subject to verification and written correction, second by Comm. Sanchez. There was no objection or discussion and the motion passed unanimously.

3. COMMUNICATIONS

3.1 Public Comments – None

4. GPA

4.1 GM Report

Rather than go through his usual GM report in its entirety, GM Benavente reported on GPA's COVID-19 efforts. Chairman Duenas commended GPA and GWA management and staff and said that we are working with the governor and staff to help our community during this trying time.

Comm. Sanchez said he wants both GPA and GWA to project how short they may be relative to cash flow adding that this may get worse before it gets better.

There was discussion relative to the drive through service at the Upper Tumon location, and the measures being taken at the window to protect the employees and limit their exposure. It was mentioned that there is a glass between the customer and employee. Comm. Duenas commended GWA on a great job activating the drive-through service.

Comm. Sanchez said the emergency stay at home order was extended for beyond March 30 to April 15 and asked management if they will comply – the response was yes.

Below is highlight of the GM's COVID report.

ENSURING ESSENTIAL OPERATIONS

- a. Essential Operations: Mission-critical functions directly related to the generation, transmission, and distribution of electric service is priority (reference GPA AP-069). AGMs to direct essential services within their area of responsibility; and submit and certify their list of key essential employees to AGMA. AGMs must exercise prudence when scheduling employee assignments.
- b. Limited Access: Security guard services will be provided at the Fadian main entrances (front & back). Only essential and authorized GPWA employees with proper credentials will be allowed entry. List of authorized persons shall be provided to AGMA/Safety by respective AGMs, including GWA. (AGMA & Safety)
- c. Restricted Access: Access to PSCC & SCC is restricted to essential employees of those sections.
- d. Cleaning & Sanitizing: All offices utilized for meetings, especially conference rooms will be wiped down/sanitized before and after meetings. (Safety & Facilities)
- e. Key Projects: Critical GPA-directed projects must continue, while taking precautionary measures to stay safe and healthy. Re. ESS project - a 14-day self-quarantine is required for the tester from Germany. He cannot be on site until after the quarantine period. Explore remote work option. (AGMETS)

ENSURING ESSENTIAL OPERATIONS

- f. Fuel Delivery Update: Fuel status is good. Fuel supply and delivery is continuing. Mobil & IP&E just received their ULSD shipments. Supply level is sufficient. They will continue with the usual delivery schedules and notify GPA should they encounter any issues.
 - i. AGMETS will check with P&R (Sylvia) what's the worst month on Low Sulfur Fuel, what was the production?
 - ii. AGMO will contact Mobil on diesel fuel and if they anticipate any problems in the near future.
 - iii. AGMO to check with Island Equipment regarding Hydrogen
- g. Cabras #2 Overhaul: Project continues. Aim is to return plant to service ahead of schedule
- h. COVID-19 Contingency Plan: Should the pandemic worsen, considerations will be made to designate the old PSCC building as a temporary safe shelter for essential generation employees. This may minimize the risk of exposure to COVID-19. Employees may rest, cook and sleep there. Facilities is assessing the structure.

ENSURING CUSTOMER SERVICES

- a. Continuation of Power Service: To ensure continued power service for customers impacted by COVID-19, account disconnections are temporarily suspended through March 31, 2020.
- b. Payments to Accounts: Customers will be encouraged to continue to make payments toward their accounts via online (web & app), telephone, mail, banks, Treasurer of Guam.
- c. Customer Support: A minimum group of Customer Service & Cash Management employees will offer customer support beginning 3/17/20. Scope and schedule will be determined by customer need and employee availability. (CFO & AGMA)
- d. Customer Projects: If DPW is continuing their inspections, GPA will continue to provide the service. Hours will be limited for these assigned projects.
- e. Customer Communications: Communication-PIO office will coordinate with AGMA for all official press releases and employee updates regarding the present situation with COVID-19 and its impact on our operations.

ADMINISTRATIVE MATTERS

- a. Pandemic Expense Tracking: WO# 478463 shall be used for all labor and expenses related to the COVID-19 Pandemic event. Credit Card use is authorized if needed to buy supplies, minor equipment or food for our employees to allow us to do what we need to do. Just work within the guidelines.
- b. Pay Status: Key essential employees reporting to work will be paid similar to holiday pay. Non-essential employees will be placed on administrative leave through March 30, 2020.
- c. Employee Health & Availability: In anticipation to return to normal business operations, while monitoring the impact of the pandemic on the Authority, employees are required to check in with their supervisor every 1-2 days to report their availability to report to work, and overall health. Specific health details are not required. Supervisors must report general employee availability and status to managers and AGMs.
- d. Telecommuting: Work for necessary projects that can be accomplished remotely (from home) is encouraged, rather than reporting to Fadian. Managers must manage all projects and time.
- e. Employee Questions: Employees may direct questions and concerns re. shutdown situation and issues to AGMA.
- f. Vendors & Services: Cleaning, machine vending, and courier service will continue. Document, mail and correspondence will be accepted once daily, as coordinated between Finance and Executive staff during the shutdown period. (Selma & Joyce)
- g. Facility Projects: All Fadian facility upgrades and construction projects will be suspended through the shutdown period.
- h. Payroll Processing: Payroll will have to continue no interruption of employee pay will occur. Timekeepers should only come in for the time necessary. Goal is to minimize paperwork and work electronically during the shutdown. Essential timekeepers will report to work for hours needed to complete data entry of timesheets. Managers/Supervisors will determine those limited hours.
- i. Travel (Business): All official employee business travel is suspended until further notice, only essential travel will be considered by the General Manager on a case-by-case basis.
- j. Travel (Personal): Effective 3/16/20, a 14-day self-quarantine period will be required of any employee who returns from personal off-island travel will require self-quarantine for 14 days. Any leave beyond the mandated shutdown period, required to fulfill self-quarantine will be deducted from the employee's personal leave, and not charged as administrative leave.
- k. Vendor Payments: Vendors will be paid as planned. Preferred payment method is ACH, otherwise, checks will be mailed out. Physical pick up of check payments is not permitted. Essential employees in Finance will continue processing payments for vendors. CFO to determine the personnel and limited work hours needed to process payments (i.e., accounting and budget staff).
- l. Procurement: AGMA will determine the Procurement personnel required, and schedule accordingly. Opening bids and bid due dates may be extended for two weeks.
- m. Fiscal Impact: Customer billing will continue. CFO will monitor impact. GPA is in good financial position right now, but we need to practice and make sound decisions as if we're not in good financial position. CFO will provide various projections/scenarios on sales and provide info when situation start to impact sales. Overall, generation is still good. Consumption will likely increase as we get closer to summer months.

SUPPORTIVE EFFORTS (COVID-19)

- a. Operations energized GHS temporary command post at the Skilled Nursing Unit (SNU). We will track and later bill the agencies that we assist under COVID-19 work order.
- b. GPA loaned four thermal scanners to GIAA, through MOU. We are in the process of ordering new thermal scanners, perhaps 20 more.
- c. GPA must be supportive in assisting any of the other Government agencies or partners during this critical time.

MARCH 2020 CCU WORK SESSION & MEETING

- a. CCU work sessions for this week have been cancelled. Regular CCU GPWA meeting still on for next Tuesday, 24 March 2020.
- b. If we do not take up the issue of reducing LEAC this month then it will be moved to April's meeting before the billings go out.
- c. Future Action: GM may call a meeting for this team later this week. Meeting will be in either the CCU boardroom or another room.

4.2 Financials – Not discussed.

4.3 Resolution No. 2020-07 Authorization of Expenditures for Generation, Substation, Water System Diesel Facilities and Bulk Storage Tank Farm Permanent Repairs for Typhoon Mangkhut

The project's objective is to repair the damage on various GPA facilities caused by Typhoon Mangkhut. The work includes repair of security fencing, building parapet, wall panels, roof, doors windows and replacement of perimeter lightings, exhaust fans and water system generators. The proposed restoration project is needed to assure safe and efficient operation of the facilities. Upon completion of the project, FEMA will reimburse GPA about 63.45% of the total expended cost.

This project will be repair the following facilities

- Generation – Cabras 1&2, Central Maintenance Shop, Dededo & Macheche CT
- Substations – Agana, Apra, Barrigada, Harmon, Marbo, Pagat, Pulantat, Piti, Radio Barrigada, Tenjo and Umatac
- Water System Diesel – Agafa Gumas, Ypaopao Estates, Mangilao, Umatac, Dededo & Yigo
- Bulk Storage Tank Farm - Piti

The anticipated cost is \$1,166,029.12 for the IAN Corporation contract and will be funded by the Self-Insurance Funds (about 63.45% of the expended cost is reimbursable from FEMA).

The anticipated repair schedule is estimated to be 6 months – starting April 2020 and completion in September 2020.

Comm. Guthertz motioned to approve Resolution 2020-07, second by Comm. Sanchez. There was no further discussion or objection and the motion passed; the vote was unanimous.

4.4 Resolution No. 2020-08 Authorization to Petition the Public Utilities Commission (PUC) to Request Interim Adjustment in the LEAC Rate

The Guam Public Utilities Commission (GPUC) has established a Tariff under which the Guam Power Authority (GPA) is allowed to recover its fuel costs and fuel related costs under a factor which is reset and trued up every (6) six months through the Levelized Energy Adjustment Clause (LEAC). The LEAC Clause allows for interim adjustment if over recovery balance is projected to exceed \$2 million during the six-month levelized period.

The LEAC period covered from February 1, 2020 through July 31, 2020, GPA requested to adjust the LEAC rate of \$0.134474/kWh that was approved for meters read on or after February 1, 2020 in anticipation of projected declining prices of black oil in the fuel market and to recover the under-recovery at the end of the period. The average market price of residual fuel oil and diesel to be used in the initial filing for the current period was approved at \$59.14/bbl. for the (6) six-month period ending July 31, 2020, the current projection from April 1, 2020 to July 31, 2020 is \$53.42/bbl.

The world event of the COVID-19 pandemic and the relationship between OPEC and Russia have caused a drop-in fuel price.

Under this proposal, GPA will fully recover the current under- recovery of about \$1 million based on the Morgan Stanley Asia Morning Call forward pricing for the period of April 1, 2020 to July 31, 2020.

GPA is now requesting the Consolidated Commission on Utilities to authorize the Authority to file such petition with the Guam Public Utilities Commission.

The projected LEAC rate for Secondary voltage customers is \$0.110039/kWh or a 18.2% decrease from the current LEAC rate.

GM Benavente said that at the last LEAC adjustment he mentioned that if LEAC continued its positive change before the scheduled 6 months period GPA can file an interim LEAC reduction. He happily reported that LEAC is almost fully recovered at this time [1M under recovery] which GM thinks it will be phased down by the end of March so he is recommending further reduction to the current LEAC rate.

Comm. Guthertz motioned to approve Resolution 2020-08, second by Comm. Sanchez.

Comm. Sanchez said we anticipated that this could happen and could not have happened at a better time. The only thing he asked management to monitor is if LEAC can still be lowered even further to not delay because it will certainly be appreciated by the Community.

Comm. Guthertz said she knows the public is looking towards this, we are going through unpredictable times and people are hurting. Many have been furloughed or laid off and whether they return to work or not is uncertain. As a public utility is our responsibility to offer any savings to ratepayers when possible.

Comm. Limtiaco said the under recovery is at 2M based so based on this he asked management when they expect the under recovery to be fully recovered. The GM said by July we would have fully recovered. He continued to explain oil costs and its relationship to the current drop in prices to \$20+ per barrel. The GM added that he estimates that new purchase price will now be \$30+ per barrel.

On the motion there were 5 ayes and Resolution 2020-08 passed unanimously.

5. GWA

5.1 GM Report

Similar to GPA, GM Bordallo deviated from his usual GM report format and highlighted GWA's COVID-19 response,

Timeline

- March 13, President declares national emergency concerning the novel coronavirus disease (COVID19) outbreak
- March 13, GWA implements travel restriction and return to work policy and suspends disconnection for non-payment; restoring previously disconnected accounts
- March 14, Governor of Guam issues Executive Order 2020-03 declaring a state of emergency to respond to COVID-19
- March 16, Governor of Guam shuts down government operations for 2 weeks, only essential employees to report to work
- March 16, GWA management begins implementation of essential operations only
- March 23, Governor of Guam extends state of emergency to respond to COVID-19 another 14 days ending on April 13

Current Status

- Essential employee staffing level stable; workforce has no suspected cases of COVID-19
- Supply chain for critical inventory and supplies intact; projecting adequate future supply of chlorine and wastewater chemicals
- Additional expenses due to emergency declaration; monitoring revenues and developing cost containment plan
- Water and wastewater system operations continue with no interruption to levels of service.
- Remaining critical business operations continue with no mission critical interruptions including billing, cash management collections, procurements and LP meter changeouts

External Coordination

- Coordination with Homeland Security / Office of Civil Defense Guam
- Emergency Operations Center (EOC) activated; GWA on standby to respond based on direction of EOC
- Coordinated with Adjutant General to avoid activation of critical Operations staff who are National Guard members

Continuity of Operations Planning for COVID-19 Outbreak -

Essential Functions ▪ Continue to supply potable water ▪ Continue collection, treatment and discharge of wastewater ▪ Water quality testing

▪ Critical Services ▪ Water: production, treatment, distribution ▪ Wastewater: collection, pumping and treatment ▪ Repair distribution line breaks and leaks ▪ Address and clean-up SSOs ▪ Essential equipment/vehicle maintenance/repair

▪ Critical Resources ▪ Keep IT systems running ▪ CIS, ERP, CMMS, email, network, SCADA ▪ Keep equipment operating ▪ Pumps & motors, heavy equipment, lift stations ▪ Maintain adequate materials and supplies ▪ Chlorine, treatment chemicals, spare parts ▪ Personnel ▪ Employees performing tasks critical to operations report for duty; those that can telework instructed to do so

Employees

- Essential employees only to report for next 3 weeks
- Daily updates sent to employees before each workday
- Constant reinforcement of recommended CDC behavioral guidelines such as social distancing and hand washing
- Increased compliance audits to ensure employees using personal protective equipment (PPE)
- Telework policy implemented for essential employees not requiring physical presence in field or at office
- Identification of critical employees for exemption from recall for Guam National Guard

Community, Customer, Vendor and Employee relations

- Immediately increased promotion of pay by phone, pay online and mobile app services
- Creating processes to transact business without face to face contact, such as on-line options for opening new water accounts and continuing the work of permits and inspections
- Responding to all requests in community to restore water or provide water to areas without access to GWA system such as CLTC property.
- Since March 16, signed up 24 vendors to allow for electronic wire transfer of payments to their bank accounts; continuing to reach out and sign up daily.
- March 23, reopened Upper Tumon drive-through to receive payments. First day, 256 total payments for GWA and GPA totaling \$83,689.58

5.2 Financials

CFO Taitano submitted the following financial highlights:

Balance Sheet

Total Assets & Deferred Outflows of Resources were about the same at \$916.5M in February 2020 compared to \$913M in September 2019 or an increase of \$3.5M. Current Assets decreased by \$1.8M, Property, Plant and Equipment increased by \$19M, and Other Noncurrent Assets decreased by \$13.4M. Note that Schedule F contains a schedule of restricted and unrestricted cash and investments. • The \$12.2M or -2% decrease in Liabilities & Deferred Inflow of Resources of \$701.6M at February 2020 from \$713.8M September 2019 was primarily due to decreases in Current Liabilities of \$11.6M. • Accounts Receivable days were 45 in February 2020 as compared to 51 in September 2019 and Accounts Payable days were 34 in February 2020 as compared to 38 in September 2019.

Statement of Operations and Retained Earnings

Total Operating Revenues for February 2020 of \$9.5M were 3% or \$251K less than budget and 10% or \$871K more than February 2019. • Year to Date Operating Revenues as of February 2020 of \$46.7M were \$1.9M or 4% less compared to budget and \$1.3M or 3% more than prior year. • While residential consumption has picked up compared to last year (water consumption +7%, wastewater consumption +9%), we are monitoring reductions in certain commercial accounts. Overall consumption has gone up 5% for water and 4% for wastewater compared to last year. We will also be monitoring bills as they drop in March to determine the effect of the reduction in tourists on revenues. See Schedule K for Water Demand for FY2015 to FY2020. • Total Operating Expenses for February 2020 of \$7.3M were \$71K or 1% less than budget, with all expenses coming in below budget except for Depreciation. Total Operating Expenses for February 2020 were 5% or \$344K more than February 2019 with the increases in Utilities of \$12.8K, Salaries and Benefits of \$204K, Administrative & General Expenses of \$158K, and Depreciation of \$282.9K offset by decreases in Contractual Expense of \$270K and Retiree Benefits of \$44K. • Year to Date Operating Expenses at February 2020 of \$36.4M were \$706M less than budget of \$37M with expenses coming in below budget except for Power and Depreciation. Year to Date Operating Expenses at February 2020 were \$1.7M or 5% more than last year's \$34.6M with increases in Utility Costs of \$1M,

Administrative & General Expense of \$219.7K, and Depreciation of \$1.2M offset by decreases in Net Salaries and Benefits of \$143K, Contractual Expenses of \$370K, and Retiree Benefits of \$233.5K. • Earnings from Operations for February 2020 of \$2.1M were 8% or \$179.8K less than budget and 33% or \$527.5K more than February 2019. Net Assets for February 2020 of \$5.5M were \$1.1M less than budget mainly due to a reduction in AFUDC of \$1.2M and \$892.5 or 19% more than February 2019. • Year to Date Earnings from Operations for February 2020 of \$10.3M were 11% or \$1.2M less than budget and 4% or \$484.7 less than February 2019. Year to Date Net Assets for February 2020 of \$15.7M were \$17.6M less than budget mainly due \$12.98M less in Grants from US Government and \$5.7 less in AFUDC than projected. However, Year to Date Net Assets for February 2020 were \$957K or 6% more than February 2019.

Key Financial Indicators

Indicator	Target	January 2020	February 2020
DSC for the Month			
• Per Section 6.12 of Indenture	1.25	1.32	1.47
• Inclusive of Reserves	1.75	1.66	1.82
DSC YTD			
• Per Section 6.12 of Indenture	1.25	1.39	1.45
• Inclusive of Reserves	1.75	1.73	1.79
Days – Cash on Hand		217 days	221 days
Collection Ratio			
• Year to Date		98%	99%
Days Billed	30	30	31
Employee Count	400 FTE	377 FTE	379 FTE
Water Customers	42,644	42,828	42,722
Wastewater Customers	29,687	29,488	29,419

Assumptions

Budgets for revenues were calculated using rates in place at the beginning of FY2020 against projected volume and expenditures are budgeted at FY19 levels due to the delay in PUC approval of rate request. Budget will be updated in March based on PUC Rate Order.

Closing Comments

The FY2020 Rate Increase was implemented for all bills issued in March. Finance will be closely monitoring consumption data to determine the effects of the downturn in tourism on GWA revenues. In the meantime, GWA is balancing its need to ensure critical equipment and materials are available should there be a disruption in the supply chain with the need to curtail unnecessary expenditures.

5.3 Resolution No. 17-FY2020 Relative to Adopting a Debt Service Coverage Target of 1.5X and a Working Capital Reserve of 120 Days of Operating and Maintenance Expense

The objective of this resolution is to align CCU policy on debt service coverage ratio to GWA’s long term financial planning strategy as outlined in the CCU-adopted *2018 Water Resources Master Plan*, and revise existing policy on CCU authorized cash reserves to allow for sufficient days of operating and maintenance expenses in line with sound financial management.

The proposed policy is necessary and urgent as GWA’s financial advisors believe GWA’s position in the financial markets and credit ratings would benefit from having this policy approved prior to going to the bond market, thereby eliminating confusion regarding DSCR calculations during Rating Agency and investor presentations currently planned as early as mid-April.

As part of PUC Docket Number 19-08, Petition for Approval of GWA’s Third Five-Year Financial Plan proceedings, on January 17, 2020, GWA and Georgetown Consulting Group, Inc. (GCG), the Public Utilities Commission’s (PUC) consultant (hereinafter both jointly referred to as the “Parties”) signed a stipulation which contained the following statement:

II. 4. Policy changes – The Parties will use best efforts to secure revisions to CCU and PUC policies related to minimum debt service coverage levels:

- a. Revision of the CCU policy (adopted by Resolution No. 21-FY 2014) that calls for funding of a Working Capital and Debt Service Reserve that “serves to establish a Cash Reserve for supplementing Net Revenues for the sole purpose of meeting the PUC’s currently established ADSCR [Aggregate Debt Service Coverage Ratio] requirement that Net Revenues shall be 175% or 1.75 times annual debt service.” The revision would provide for meeting of a modified PUC minimum ADSCR target based on a calculation consistent with GWA’s indenture (and common municipal finance practice) that does not supplement Net Revenues with such reserves.*
- b. Revision of the PUC’s order (Regulatory Review of GWA Interim Financial Plan Under Federal Court Order in Civil Case 02-35 - Docket 04-01: FY 2005 Rate Order) that a minimum 1.75x coverage ratio is established for purposes of setting just and reasonable rates for GWA (Paragraph 8, p. 5).*
- c. The Parties to this stipulation agree to support the approval of both policy changes inclusive of a minimum 1.40x debt service coverage ratio. It is further recommended that as part of CCU and PUC’s consideration of alternative debt financing instruments, the PUC debt service coverage policy be reevaluated based on references to credit rating agency medians of comparable and favorably rated debt issuers and consideration of customer affordability of utility services.*

On February 27, 2020, the Public Commission on Utilities approved GWA Docket 19-08 FY20 Rate Decision which included in the Ordering Provisions the following provisions:

- 16. Both GWA and GCG will support policy changes that create one standard for debt service coverage at 1.4X debt service coverage.*
- 17. The Parties shall use best efforts to review the CCU policy (Resolution No. 21-FY2014) that establishes a cash reserve for purposes of meeting PUC’s current Aggregate Debt Service Coverage Ratio of 1.75x. Such revision will mean that net revenues are not supplemented with cash reserves.*
- 18. The Parties shall use best efforts to revise and clarify the PUC Order, Docket 04-01, FY 2005 Rate Order, that establishes a minimum 1.75x coverage ratio for setting just and reasonable rates.*

While GWA recognizes the merit of the PUC’s prior order mandating a minimum 1.75 coverage ratio, it believes the adoption of a minimum Debt Service Coverage Ratio of 1.50x consistent with long-term financial planning objectives to be reasonable, necessary and in the public interest at this time so that the Authority may develop, justify and propose reasonable rates to sustain responsible operation and maintenance, and implement its capital improvement program.

GWA notes that the Parties’ Stipulation provides:

“The Parties to this stipulation agree to support the approval of both policy changes inclusive of a minimum 1.40x debt service coverage ratio. It is further recommended that as part of CCU and PUC’s consideration of alternative debt financing instruments, the PUC debt service coverage policy be reevaluated based on references to credit rating agency medians of comparable and favorably rated debt issuers and consideration of customer affordability of utility services.” (Parties’ Stipulation, Docket 19-08, at II.4.(c) p. 8)

The prospective review of capital financing options may suggest modification of the stipulated 1.40x debt service coverage ratio, thus the Resolution calls for reevaluation of the DSCR upon completion of required reviews and studies prior to FY2022.

GWA also recommends that the balance of the Reserve for Working Capital be no less than 120 days of Operating and Maintenance Expense, as defined in the GWA Revenue Bond Indenture. This will allow the Authority to have liquidity to pay for necessary operating and maintenance expenses should conditions require. Further, it is recommended that the Working Capital Reserve for Debt Services be dissolved and its balances be transferred to the Working Capital Reserve

This policy change will not increase costs for GWA but will make more funds available for use for GWA operations or internally funded CIP. The funds for the Reserve will come from existing Reserve balances; any additional amounts (if needed) will come from Operating Revenues.

Comm. Sanchez motioned to amend page 3 after word "indenture" to add "the general manager shall inform the CCU within 30 days of every withdrawal authorized., second by Comm. Guthertz

Comm. Limtiaco asked for clarification - if the CCU authorized the GM to approve up to \$1M why are we asking GM to come back to the Commission. Comm. Sanchez responded that he just wants to be informed.

On the amendment there were 5 ayes passing the motion to amend.

On the main motion as amended the vote was unanimous and Resolution 17-FY2020 carried.

5.4 Resolution No. 18-FY2020 Relative to Approving the Charge-Off of Guam Waterworks Authority Receivables Deemed Uncollectible

It is good accounting practice to regularly review accounts receivable to ensure the Allowance for Doubtful Accounts is appropriate and to write off accounts that are deemed uncollectible. If uncollectible receivables are not written off regularly [at least annually], Accounts Receivable and the related Allowance become overstated.

The Allowance for Doubtful Accounts should be adjusted at least annually to reflect the receivables that are likely to be uncollectible. This transaction affects income as Bad Debt expense is recognized. Uncollectible accounts will be reviewed on an annual basis and written off as deemed appropriate.

As receivables are written off, the Allowance is adjusted. The write off of receivables will not impact income as the amounts were expensed as the Allowance was adjusted, i.e., the write off will reduce the Accounts Receivable and the Allowance for Doubtful Accounts balances on the Statement of Net Position (aka Balance Sheet).

Note, if these receivables are eventually collected, the amounts will be recognized as Miscellaneous Income.

Comm. Guthertz asked how far back are these uncollectables and how much. Comm. Limtiaco responded 4 years and \$1.8M

Comm. Guthertz motioned to approve Resolution 18-FY2020 for discussion, second by Comm. Limtiaco.

GM Bordallo said that in past management comes to CCU for periodic write off's and said this is a matter of history and not something current.

Comm. Duenas recommended amending the resolution to advise the CCU.

Comm. Sanchez said this is not an automatic write off authority and management can request it periodically

Comm. Limtiaco commented that the resolution was drafted as more of a policy.

Comm. Duenas added what management is establishing is a policy – they are taking an unwritten policy and writing it down.

ML there is a report that will be generated in November

GM Bordallo said that CFO Taitano is watching via live stream – this is a management process and if not done often it gets large and puts back audit requirement and financial closings.

Comm. Sanchez said he likes the old policy where from time to time management brings to CCU for approval / information purposes. It protects the GM and CFO.

Comm. Sanchez recommended that this resolution be tabled until next month Comm. Duenas agreed saying this is not time sensitive and asked management to take it back and rewrite it.

THIS RESOLUTION WAS TABLED.

5.5 Resolution No. 19-FY2020 Relative to Approving Contract Amount Increase and Authorizing Change Orders for Construction Management Services Contract for GWA Water and Wastewater Facilities Phase A-1 Project

GWA is developing and installing a SCADA System to monitor the operations of its water and wastewater systems, and to promptly alert operators when a fault or alarm condition occurs. This project primarily focuses on installing industrial controls, field instrumentation, and communications equipment to enable connectivity between 14 GWA assets with the Central SCADA Server located in Fadian through the use of GPA's TropOS wireless mesh network to enable continuous monitoring of these assets.

As of the December 31, 2019, project completion deadline, G4S, the contractor, has not achieved substantial completion. GWA is assessing liquidated damages and special damages on the contractor for damages incurred by GWA, including on-going construction management services. GWA intends to use the money recovered from the contractor, by imposing set-off against payment to G4S, to fund the change orders for extending CM services as needed going forward.

GWA is seeking CCU approval because further extension to CM services would cause the total CM contract amount to exceed one million dollars.

The current contract amount is \$997,464.00, which includes:

- \$515,631.00 Original Contract
- \$383,589.00 Change Order No. 01 (GWA Resolution 28-FY2019)
- \$51,563.00 Change Order No. 02, extension for January 2020
- \$46,681.00 Change Order No. 03, extension for February 2020

This CM service is continuing on a time and materials basis. GWA seeks CCU approval for an increase in contract amount by up to \$177,000.00. The \$177,000.00 would cover at least 3 months (March, April, and May) of CM services extension due to further delay by G4S. The estimated monthly cost is based on actual CM time and material charges for January 2020 in the amount of approximately \$59,000.00.

It is the intent that this resolution would approve the increasing of the total authorized contract amount to a maximum of \$1,174,464.00 (\$997,464.00 + \$177,000.00) and also would authorize GWA management to execute change orders as needed up to the maximum authorized contract amount and The funding source for the project is bond funds from CIP EE 09-09, SCADA Improvement – Phase 4.

The funding source for the CM service extensions due to contractor delay would be from imposing set-off against payment to G4S as special damages.

In violation of contract terms, G4S has not been providing construction schedule updates; but based on observation by GWA project management team, contractor ought to be able to achieve final completion by May 31, 2020.

Comm. Guthertz motioned to approve Resolution 19-FY2020, second by Comm. Limtiaco. There was no further discussion or objection and the motion passed. The vote was unanimous.

5.6 Resolution No. 20-FY2020 Relative to Approval of Change Order No. 7 for the Route 1 “Asan-Adelup-Hagatna” Sewer Design Contract

The objective of this project is to improve the sewer collection system, which included repairing and/or replacing sewer main, renovating manholes and rehabilitating existing sewer by CIPP liner along Route 1 in the villages of Asan and Adelup. These sewer infrastructure elements have been identified by GWA, through an SSES investigation, to be in serious need of rehabilitation and repair. Successful completion of this project will result in proper maintenance and operation of the sewer collection system and USEPA agrees that efforts to rehabilitate, repair or replace the sewer line are necessary.

Change Order No. 7 is necessary to provide additional construction services such as consultation with the designer of record and field inspection by the designer of record of construction, and additionally, in particular, archaeological monitoring necessary to meet SHPO and DPW requirements during sewer installation across Rt. 1 during night hours. Furthermore, GWA is moving forward with the segment of the sewer renovation project from Adelup to Hagatna. For this section, the design has been completed under this contract previously but some changes to the contract provisions are desired to address lessons learned under the current construction contract for the Asan to Adelup section. Some contract modifications and clarification in the

drawings for advertisement of a construction contract for the Adelup to Hagatna section will improve the contract provisions and result in a better contract package for both GWA and prospective bidders.

The total cost of Change Order No. 7 is Two Hundred Fourteen Thousand Three Hundred Forty-Five Dollars (\$214,345.00). The funding for this project will be from USEPA SRF Grant Funds and, if necessary, GWA Bond Funds with a maximum project budget of One Million Nine Hundred Ninety-Four Thousand Five Hundred Fifty-Five Dollars (\$1,994,555.00).

GWA Management seeks CCU approval of HDR's proposal for additional construction support services and contract package and bidding services for the additional funding amount of Two Hundred Fourteen Thousand Three Hundred Forty-Five Dollars (\$214,345.00), bringing the total authorized funding amount to One Million Nine Hundred Ninety-Four Thousand Five Hundred Fifty-Five Dollars (\$1,994,555.00).

The current construction work associated with Asan to Adelup section, supported by this contract, is scheduled to be completed July 31, 2020. The contract package services associated with the Adelup to Hagatna segment (referred to as Phase 2 in HDR's proposal) is estimated to be completed by December 2021.

Comm. Sanchez motioned to approve Resolution 20-FY2020 second by Comm. Guthertz. There was no further discussion or objection and the motion passed. The vote was unanimous.

5.7 Resolution No. 21-FY2020 Relative to Approval of Amendment for the Indefinite Delivery/Indefinite Quantity Professional Project/Construction Management Services Contract

GWA currently has an IDIQ contract with Brown and Caldwell. One of the tasks to prepare a Consulting Engineer's Report (CER) as required in GWA's pursuit of a Bond issuance to fund numerous water and wastewater system improvements. CER finalization for Bonds has required additional reviews and revisions greater than the original Task Order scope of work, including revisions to address the impacts of the COVID-19 pandemic.

In addition, a Cost of Service/Rate Design Study (COS/RDS) is required by Guam Public Utilities Commission (PUC) GWA Docket 19-08 Ordering Provision 7 as part of the GWA 2020 rate approval.

Both of these efforts are necessary and urgent to obtain funding for the already delayed Court Order projects, and to provide timely completion of PUC-ordered studies as part of the 5-year rate case.

The current contract amount is \$750,000.00, which includes:

- Task Order 1 for the CER (\$188,490.00, bond-funded)
- Task Order 2 for the Route 4 Sewer Rehabilitation Project (\$148,348, USEPA grant-funded)
- Task Order 3 for the Route 1 Asan-Adelup Sewer Rehabilitation Project Phase 1 (\$209,780, USEPA grant-funded)
- Task Order 4 for the Southern SSES Sewer Project (\$181,924, USEPA grant-funded)

It is the intent that this resolution would approve the increasing the total contract amount to \$1,294,485.00 for:

- Additional work on the CER for an additional \$86,065.00
- \$458,420.00 with a 10% contingency of \$45,842.00 in anticipation of a task order to complete the COS/RDS

The funding source for the CER is bond funds and COS/RDS will be funded using Internally Funded Capital Improvement Project and other funding sources as they become available.

The resolution approval also would authorize GWA management to execute change orders as needed up to the maximum authorized contract amount.

The CER will be completed before May 30, 2020. The COS/RDS will be completed prior to March 31, 2021.

Comm. Guthertz motioned to approve Resolution 21-FY2020, second by Comm. Sanchez.

Comm. Sanchez asked what is timing and when can we see rate design analysis. GM Bordallo said next year and the deliverables will be staggered.

Comm. Limtiaco asked if this was a multiple award or just Brown & Caldwell. GM Bordallo confirmed it was multiple and B&C was the most responsive and reliable bidder.

On motion the vote was unanimous and Resolution 21-FY2020 carried.

6. OTHER DISCUSSION

6.1 Proposed CCU Rules – No dicussion

7. ANNOUNCEMENTS

7.1 Next CCU Meetings

The Chairman announced that the next meeting would be a GWA Work Session on April 21, and the GPA Work Session on April 23. The regular monthly CCU meeting is on April 28.

8. ADJOURNMENT

There being no other business to bring before the Commission, the meeting adjourned at 2:08 p.m.


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Attested



JOSEPH T. DUENAS, Chairman



MICHAEL T. LIMTIACO Secretary