



Regular Board Meeting
CCU Conference Room, Gloria B. Nelson Public Service Building
5:30 p.m., April 25, 2019

MINUTES

1. CALL TO ORDER

The Chairman called the CCU April 25, 2019 regular meeting to order at 5:30 p.m. He said all five (5) Commissioners were present. Others in attendance include:

Commissioners:

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

Executive Mgmt.:

Miguel Bordallo	GM / GWA
John Benavente	GM / GPA
Gilda Mafnas	CFO [A] / GWA
Melinda Mafnas	AGMO / GPA
John Cruz	AGMET / GPA
Tricee Limtiaco	AGMA / GPA
Chris Budasi	AGMA / GWA
Gilda Mafnas	CFO (A) / GWA
Cora Montellano	CFO [A] / GPA

Management & Staff:

Ron Topasna	O&M Mgr, Water Treatment / GWA
Patti Diego	Communications Mgr [A] / GPA
Zina Charfauros	Personnel Admin. / GWA HR
Ann Borja-Gallarde	Mgmt. Analyst / GWA Ex. Office
Joyce Sayama	Mgmt. Analyst / GPA Ex. Office
Lou Sablan	Board Secretary / CCU

Guest:

Angelica Perez	AM Insurance
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2. APPROVAL OF MINUTES

The Minutes of February 26, 2019 was presented for approval.

Comm; Guthertz motioned to approve the Minutes subject to verification and written correction; second by Comm. Limtiaco. There was no further discussion or objection and the motion passed unanimously.

3. COMMUNICATIONS

3.1 Public Comments

GM Bordallo asked the Chairman if he could please make a statement. He thanked the board and especially the Chairman for their confidence, support and recognition. He said the recent media reports and commentary relative to the salary adjustment issue do not reflect the board's true intent of advancing the utilities and the suggestion of any ill intent or bad faith by anyone is simply ridiculous. He said unfortunately this is what is out there and however far from the truth it is, it is a distraction to him from the important work that needs to be done and while the board has not provided any direction on this issue pending advise from counsel. He added that as a professional he understands the process that needs to occur but nonetheless wants to publicly state for the record that he will return the bonus and pay amount that he received to date. He said he wanted to make sure that this is noted for the record. The Chairman acknowledged and thanked Mr. Bordallo for his candidness and his statement and added that this matter will be dealt with at a special meeting in the future.

4. GPA

4.1 New Business

4.1.1 GM Report

The GM said he provided his report at the GPA Work Session last week said he is open to any questions.

The Chairman said he had a question on the status of the bid for the new generation plant

The GM said 4 bidders have submitted and technical documents are being reviewed – the Committee will review and advise proponents by May 15th whether they've passed or failed. Prices are expected to come in on May 29 with public opening on June 3. After this phase the evaluation process and then by June-July there would be more firm findings and possibly approval, then forward to PUC. The GM said the final bid price includes several components other costs. More time is needed because figures provided would be run through a formula for calculations via a model that all proponents were provided.

Comm Sanchez reviewed the DSM report provided and asked status of fund balance for DSM. The GM said that average expenditure is about \$100k per month and based on current fund balance it should run through the next 8 months. It was discussed that there is a resolution that was put on hold pending CCU / management decision on how to best fund DSM going forward – either via LEAC or other funding source.

GM Benavente gave CCU a couple of sheets that shows what portion of LEAC management anticipates DSM will impact. It was mentioned that DSM would incorporate \$4M per LEAC period, to include expansion for Commercial program, non-profits and small businesses. Currently DSM supports only residential customers.

There was also discussion on the LEAC under recovery and the cost of oil which keeps going up. The cost of barrel now is \$73 per barrel.

4.1.2 Financials

Acting CFO Montellano said March Financials show revenues \$2M below forecast; kWh sales is still 4% behind forecast and 5% behind prior year. There's a strong correlation in May-June when the LEAC increase sales dropped tremendously and has not recovered. It was mentioned that the Navy continues to improve their system too and as our largest customer, it impacts sales.

Comm. Sanchez said his concern is when GPA moves to ULSD it makes it worse, even if we will be burning less of it with the new plant. At what point should GPA restart conversation about natural gas; this is a whole new process. GM Benavente said he will show the Commission a timeline relative to this issue and will share his thoughts with the Commission very soon – within the next month or two.

Under recovery is still \$13.7M and anticipates \$12M at the end of the LEAC period. It was mentioned that the Navy pays as they go – there is no LEAC with the Navy.

Comm Santos said due to we are ½ way into the year can CFO do Budget to Actual Report on every category so that discussions relative to needed adjustments can happen.

4.1.3 Resolution 2019-05 Relative to Increase of Renewable Portfolio Standard to 50% by 2035

GM Benavente read the resolution verbatim; it seeks approval to increase the Authority's Renewable Portfolio Standards [RPS] from 25% to 50% for the following reasons:

- GPA and CCU have discussed this move internally and at various public hearings since it signed the Phase II Renewable Energy Acquisition contracts for 120 MW of additional solar PV while at the same time launching Phase III IFB for an additional 40 MW;
- GPA has completed its Renewable Integration Study supporting the technical feasibility of integrating 50% of renewable energy into GPA's grid once the recommended projects are completed;
- GPA's renewable strategy has been to ride the technology capability curve up while riding the price cost curve down. Phase II Renewable Energy Prices are expected to be below current LEAC rates;
- Bill No. 80-35 (COR) moves to increase the Guam RPS (Public Law 29-62) from 25% to 50% of GPA net electricity sales by 2035; Bill 80-35 is sponsored by Senators Amanda Shelton and Clynt Ridgell.

This project is necessary and urgent. The Federal Investment Tax Credit declines from 30% in 2019 to 26% in 2020, 22% in 2021, and 10% in 2022. It was mentioned that the funding source would come from LEAC.

The GM said the RPS is a public policy and asked the Commission to support it. He said he is confident that GPA will be able to meet this threshold.

Comm. Guthertz motioned to approve Resolution 2019-05; second by Comm. Limtiaco.

Comm. Sanchez gave some background on the beginnings of the RPS matter beginning with discussions with late Sen. Ben Pangelinan. He said the intent is good and the only way to lower the cost or power in the future is to lower the use of oil for energy. The new generation plant will make this a reality and will have emissions that are in compliance with USEPA and will use less fuel than the existing units. The solar energy contracts that GPA has just signed this past year is half the current LEAC and comes with storage so this means GPA will use less fuel. Without this new generation plant, GPA cannot add more renewables. The old base load units are not never going to take GPA beyond the 25%. We are happy to report that we are ahead of schedule and this is why the CCU pays management bonuses because the decisions that you make are going to save money and move us towards renewables. This is continuing work that started 12 years ago and it is the only way to lower the cost of power.

Comm. Limtiaco asked if there are any incremental growth with renewables that can happen now before the new power plant – a 5-10% increase. He clarified that he is referring to going out for bid for additional renewables ahead of the new power plant before the critical area that needs the new power plant. GM Benavente said yes but it has to come with Phase III, the mode of operation today is quite challenging because CT's are needed in the daytime. There is 45 megawatts that are intermittent during the day. The key is some increment can be added but not significant, not before that new power plant is in place. The GM also added that some work on the 115KV lines need to be done before any more renewables are added.

GM Benavente said that there is still room to accommodate utility scale renewable maybe another 120-150 with energy storage.

It was noted that the phrase "subject to the review and approval of the PUC" is not in the draft resolution in Board books and there's no need for an Amendment

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

5. GWA

5.1 New Business

5.1.1 GM Report

GM Bordallo reported on operational issues relative to production and distribution, the line servicing Mangilao was pulled and a new line was installed last night so there should be recovery in Mangilao reservoirs. He reported a spill in the Taigigao area which was repaired – this is the one Mayor Hoffman reported. GEPA was advised.

Comm. Sanchez asked an update of the various public outreach relative to the 5-year Financial Plan. He said the public meetings are scheduled for May 6-9 and will provide the Commission a schedule for the other commerce groups as soon as it is firm

The GM said Citi Group is going to be on island first week of May and the CCU can meet with him at your leisure.

There was discussion on the timeline for GWA's next bond issuance and the GM said the plan is to go for ratings in Sept. and closing in Nov/Dec timeframe. The GM said he plans to ask for the full amount and said GWA needs the money for the tanks.

5.1.2 Financials

This matter was not discussed.

5.1.3 Resolution No. 21-FY2019 Relative to Contract Renewal with Guam Pacific Enterprise and JMI Edison for the Additional Purchases of Submersible Cables, Temperature Sensors and Two (2) HP Booster Pump Motors

The objective of this resolution is to provide for adequate parts inventory for submersible cables and chlorination system booster pumps for GWA's water production facilities. Having the inventory on-hand is necessary to ensure that water system mechanical and electrical assets are replaced in a timely manner as part of normal production well and disinfection system operations and maintenance.

Bid Summary

IFB 2015-08 Submersible Cables, Booster Pumps and Sensors

Guam Pacific Enterprise							
Item No	Description	Qty	UOM	Unit Cost	Total Cost	Est Annual Cost	Est 3 Year Cost
1.0	Temperature Sensor 6"	10	each	\$695.00	\$6,950.00		
1.1	Temperature Sensor 8"	10	each	\$695.00	\$6,950.00	\$13,900.00	\$41,700.00
3.0	Submersible Electrical Cable #4 AWG CU, 4 Wire (Note: to be used on 50/60 HP Submersible Motors)	1000	foot	\$11.21	\$11,210.00		
3.1	Submersible Electrical Cable #1 AWG CU, 4 Wire (Note: to be used on 75/100 HP Submersible Motors)	4000	foot	\$22.22	\$88,880.00	\$179,860.00	\$539,580.00

3.2	Submersible Electrical Cable #2/0 AWG CU, 4 Wire (Note: to be used on 125/150 HP Submersible Motors)	3000	foot	\$26.59	\$79,770.00		
GPE Est Cost					\$193,760.00	\$193,760.00	\$581,280.00
JMI Edison							
Item No	Description					Est Annual Cost	Est 3 Year Cost
2.0	2 HP Pump and Motor CR3-10 A-FGJ-E-HQQE 230/460V	35	each	\$1,409.30	\$49,325.50	\$49,325.50	\$147,976.50
						Est Annual Cost	Est 3 Year Cost
TOTAL EST COST						\$243,085.50	\$729,256.50

Total Amount Expensed

PO No	PO Amount	Vendor	PO Date	FY	Funding Source
298852	\$153,670.00	GPE	12/26/2015	16	PW 09-02 Water Wells
298991	\$202,480.00	GPE	2/8/2016	16	PW 09-02 Water Wells
300011	\$33,530.00	GPE	10/6/2016	17	PW 09-02 Water Wells
301130	\$185,665.00	GPE	8/1/2017	17	Revenue Funded
GPE TOTAL	\$575,345.00				
298758	\$13,828.59	JMI	12/4/2015	16	PW 09-02 Water Wells
298851	\$23,958.10	JMI	12/29/2015	16	PW 09-02 Water Wells
300311	\$22,548.80	JMI	12/14/2016	17	PW 09-02 Water Wells
302887	\$35,232.50	JMI	12/13/2018	19	Revenue Funded
302887 (Amendment 1)	\$43,688.30	JMI	12/21/2018	19	Revenue Funded
JMI TOTAL	\$139,256.29				
IFB 2015-08 TOTAL	\$714,601.29				

Estimated Purchase Quantity and Cost for 2 Year Contract Renewal

Guam Pacific Enterprise	Description	Unit Cost	2 Year Est Qty	Est 2 year Cost
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3.1	Submersible Electrical Cable #2/0 AWG CU, 4 Wire (Note: to be used on 125/150 HP Submersible Motors)	\$26.59	8000	\$212,720.00
3.2	Submersible Electrical Cable #4 AWG CU, 4 Wire (Note: to be used on 50/60 HP Submersible Motors)	\$11.21	8000	\$89,680.00
3.3	Submersible Electrical Cable #1 AWG CU, 4 Wire (Note: to be used on 75/100 HP Submersible Motors)	\$22.22	8000	\$177,760.00
Guam Pacific Enterprise 2 Year Estimated Cost				\$480,160.00
Contingency 10%				\$48,016.00
Total Requested Funding				\$528,176.00

JMI Edison	Description	Unit Cost	2 Year Est Qty	Est 2 year Cost
2.0	2HP BPM	\$ 1,409.30	80	\$112,744.00
Contingency 10 %				\$11,274.40
Total Requested Funding				\$124,018.40

The cost of the contract is noted below and will be funded with revenue funds. Purchases over the 2-year contract extensions are required for on-going production well and disinfection system operations and maintenance.

Contract Renewal 2 years	GPE Contract Renewal with 10% Contingency	\$528,176.00
	JMI Contract Renewal with 10% Contingency	\$124,274.40
CCU Approval		\$652,194.40

Comm. Sanchez motioned to approve Resolution 21-FY219 second by Comm. Limtiaco. There was no further discussion or objection and the motion passed unanimously.

5.1.4 Resolution No. 22-FY2019 Relative to Fund Increase for the Agat-Santa Rita Wastewater Treatment Plant Construction Project

GWA has executed multiple Change Orders to the project's scope of work (SOW) and anticipates additional Change Order(s) to address necessary improvements, including enhancements to the main electrical service, additional paving to the existing entrance road, and other miscellaneous modifications recommended by GWA Operations, will be required. GWA management is seeking CCU approval to increase the funding authorization for the project via approval of this resolution.

The construction activities are located in the Village of Agat across from the Navy Camp Covington. The funding authorization will increase an additional Five Hundred Forty Thousand Dollars (\$540,000.00) to bring the total authorized funding to Fifty-Nine Million Five Hundred Fifty Thousand Dollars (\$59,550,000.00). The funding for this project will be from the Bond Funds under the line items CIP WW 11-08 "Agat/Santa Rita STP Replacement", System Development Charges and Internally Funded CIP, where applicable. GWA expects the contractor to be completed with all work by June 2019.

Comm. Sanchez motioned to approve Resolution 22-FY2019, second by Comm. Guthertz. There was no further discussion or objection and the motion passed. The vote was unanimous.

5.1.5 Resolution No. 23-FY2019 Relative to Change Order No. 8 for the Agat-Santa Rita Wastewater Treatment Plant Upgrade Construction Management Contract

The construction contractor, Sumitomo Mitsui Construction Company (SMCC), advised GWA that project completion must be extended to the end of June 2019. The construction management change order(s) for CM services will allow for a continuity of services as it relates to any construction extension at the new Agat-Santa Rita WWTP Upgrades project due to delays in construction completion. Currently the remaining major items to be completed are the equalization basin and maintenance building. The project location is at the New Agat Santa Rita Wastewater Treatment Plant in Agat.

The fees for CM services is approximately One Hundred Twenty-Five Thousand Dollars (\$125,000.00) a month, therefore GWA management is seeking approval to increase authorized funding for Two Hundred Fifty Thousand Dollars (\$250,000.00) for the months of May and June 2019. Funding for Change Order to GHD will be from any available bond funds under the line item - WW 11-08 "Agat/ Santa Rita STP Replacement", System Development Charge funds, Internally Funded CIP funds as well as Liquidated Damages of \$5,000 per day from the contractor beginning September 1, 2018.

Comm. Sanchez motioned to approve Resolution 23-FY2019, second by Comm. Guthertz. There was no further discussion or objection and the motion passed unanimously.

5.1.6 Resolution No. 26-FY2019 Relative to Change Order No. 2 for Asan Springs Rehabilitation Design Project

If approved, Resolution 26-FY2019 will authorize additional design and environmental services that are necessary for GWA to complete its on-going project to improve water distribution system

functionality and reliability for areas serviced by Asan Springs. The project's design scope is ongoing, however, following the discovery that about one-third of the facility sits on property owned by the National Park Service, a more detailed condition assessment of the site and discussion with federal agencies, have revealed that additional environmental assessment and biological investigation are required to determine the environmental impact of the project. This will include biological surveys and investigations to determine the presence of any endangered species or their habitats exist on the site. These environmental requirements have increased due in part to the use of federal lands on the project, making the additional work necessary for the construction of the project.

Due to the size and complexity of the project, GWA finds that it is in the best interest of the Authority to have the current engineering consultant conduct the additional work so as to expedite the design package preparation. Having the current consultant handle the additional work also flattens the learning curve, given the design consultant is already familiar with the site, entities involved and the system improvement needs.

The proposal is still being negotiated but Management estimates the cost for the additional design services not to exceed the latest proposal of Three Hundred Eighty-Two Thousand Five Hundred Ninety-Five Dollars (\$382,595.00). The source of funding will be from Bond Funds under CIP line item PW 05-15.

The design schedule will extend to October 2019, however, there are potential land acquisition issues for the site thus additional time may be needed. GWA will not know until the property conflicts are resolved.

Comm. Sanchez motioned to approve Resolution 26-FY2019, second by Comm. Limtiaco. There was no further discussion or objection and the motion passed unanimously.

5.1.7 Resolution No. 27-FY2019 Relative to the Re-evaluation and Implementation of the Revised GPWA Drug and Alcohol-Free Workplace Policy

The GPWA Drug and Alcohol-Free Workplace Policy was approved by the CCU on 26 September 2017 for implementation on 01 October 2017. On 10 October 2017, GWA Legal Counsel received Attorney General's Opinion Memorandum, dated 06 October 2017 stated, random drug testing *for all government of Guam employees*, without regard to the nature of the employee's duties and specific violation intended to be addressed, will offend constitutional protections against warrantless searches.

GWA Management has confirmed that the Authority's Legal Counsel is sufficient in determining inclusion of safety-sensitive positions to its current list of Testing Designated Position(s) (TDP), in accordance with federal guidance (Substance Abuse and Mental Health Services Administration's (SAMHSA) 2013 Guide for Selection of TDPs, dated 06 May 2013).

Accordingly, GWA Legal Counsel has reviewed and updated the list of safety-sensitive TDP to be used for determining which employees are subject to random drug testing. The list includes 110 different positions comprised of 287 employees or approximately 77% of the current GWA workforce;

Public Law 35-5, Title 9 GCA, Chapter 67 Guam Controlled Substance Act, Article 1, Definitions (t) lists and defines Marijuana as a controlled substance, and GWA still prohibits the use of cannabis by employees in the Drug-and-Alcohol Free Workplace Policy. Therefore, the objective of the resolution is to request that GWA be allowed to move forward and implement its Revised GWA Drug and Alcohol-Free Workplace Policy and to authorize the Legal Counsel through documented support to add, delete and/or revise its TDP list as necessary, to effectively implement its Drug and Alcohol-Free Workplace Policy. It is necessary and urgent to protect the public health and safety in the provision of utility services we provide.

GWA further requests for the CCU's support and approval to transition on its own (away from the DOA process) to seek drug testing, laboratory and medical review officer services to effectively implement the GWA Drug and Alcohol-Free Workplace Policy.

Comm. Santos asked clarification for phrase "away from the DOA process" and management explained that currently DOA does the testing for GWA. It's probably cheaper with DOA but GWA's testing is at DOA's their schedule.

Comm. Guthertz motioned to approve Resolution 27-FY2019, second by Comm. Santos. There was no further discussion or objection and the motion passed. The vote was unanimous.

6. ANNOUNCEMENTS

6.1 Next CCU Meeting

The Chairman said that there will be a special meeting in May to deal with a special issue that the Attorney General recently addressed with the Commission, possibly before one of the CCU work sessions. In addition, the GWA work session in May is on May 21; the GPA work session on May 23 and the regular CCU monthly meeting on May 28.

7. ADJOURNMENT

There was no further business to bring before the Commission, the Chairman called for adjournment.

Comm. Santos motioned to adjourn the meeting; Comm. Limtiaco seconded.

It was 7:20 p.m.

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Attested:



JOSEPH T. DUENAS, Chairman



MICHAEL T. LIMTIACO Secretary