



**Special Board Meeting
 Guam Waterworks Authority
 CCU Conference Room, Gloria B. Nelson Public Service Building
 5:30 p.m., August 9 2019**

MINUTES

1. CALL TO ORDER

The Chairman called the CCU / GWA Special Meeting of the Consolidated Commission on Utilities for August 9, 2019 to order at 5:32 p.m. He said four (4) Commissioners were present and that Comm. Sanchez was excused. He said this meeting is for GWA issue only and follows the matter relative to the 5-year Master & Financial Plan.

The GM said this meeting was initially meant to review and approve the bond issuance & borrowing that GWA will need to complete the Court Order requirements however the necessary documents were placed on hold due to the uncertainty of the timing of when PUC will act on the rate case. Rather than presenting a resolution, management will update the Commission on the status of the 5-year Master Plan and the Bond Issuance to date.

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

Executive Mgmt.:

Miguel Bordallo	GM / GWA
Chris Budasi	AGMA / GWA
Kelly Clark	Legal Counsel / GWA

Management & Staff:

Paul Kemp	Asst. GM Compliance & Safety / GWA
Vangie Lujan	Compliance / GWA
Lou Sablan	Board Secretary / CCU

Guests:

Mark Miller	Commissioner / PUC
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2. **COMMUNICATIONS**
 2.1 Public Comments – None

3. **NEW BUSINESS**

3.1 Discussion on Upcoming Bond Issuance

- Bonds were originally planned for 2018 under 2nd legislative authorization of \$450M
- In FY2018, decision was made to delay bond issuance and rate relief request to support borrowing
- Bonds are required for 2011 Court Order projects, NDWWTP and upcoming Consent Decree

GWA Historic Bond Activity			
Year	Authorizations	Issuances	Balance
Legislative Authorizations			
2005	\$ 220,000,000		
2009/2010	\$ 450,000,000		
	\$ 670,000,000		\$ 670,000,000
Completed Bonds			
2005		\$ 101,175,000	\$ 568,825,000
2010		\$ 118,825,000	\$ 450,000,000
2013		\$ 172,630,000	\$ 277,370,000
2016		\$ 143,310,000	\$ 134,060,000
		\$ 434,765,000	
Proposed Bonds			
2019		\$ 134,060,000	\$ -

Breakdown of Proposed 2019 Bond			\$ 134,060,000
1 Consent Decree Projects			
PW 09 11	Water System Reservoir Improvements	\$ 26,188,000	
PW 11 02	Ugum WTP Reservoir	\$ 7,500,000	
PW 12 06	Tank Replacement Piti & Hyundai	\$ 6,500,000	
MP PW-Tank 22	Existing Tank Inspections/Assessment	\$ 150,000	
		\$ 40,338,000	\$ 40,338,000
2 NDWWTP Completion / OEA Projects			
MP WW WWTP 08	Northern District WWTP Completion	\$ 14,500,000	\$ 14,500,000
3 Future Consent Decree Projects			
MP WW Pipe 17	Mamajanao Capacity Replacement	\$ 1,700,000	
MP WW FM 01	Force Main Replacement / Rehab	\$ 100,000	
MP WW FM 02	Yigo FM Replacement	\$ 200,000	
MP WW FM 03	Route 1 Asan Force Main Replacement	\$ 2,124,000	
MP WW FM 04	Hagatna WWTP Force Main Rehab	\$ 6,689,000	
MP WW Pump 01	Lift Station Yrehab Program	\$ 8,620,000	
MP WW Pump 02	Fujita Lift Station	\$ 10,923,000	
		\$ 30,356,000	\$ 30,356,000
4 Other Water / Wastewater Improvements per 2018 WRMP			\$ 48,866,000
Production wells: new and rehabilitation			
Water distribution system - pipe and valve replacements			
Pressure Zone Realignment projects			
Valve, tank inspection, repair and maintenance projects			
Sewer line and manhole repair, rehabilitation projects			
Sewer line replacement projects			
SCADA projects			
General Plant improvement projects			
Security and resiliency projects			
Planning and Master Plan Updates			

4. **OLD BUSINESS**

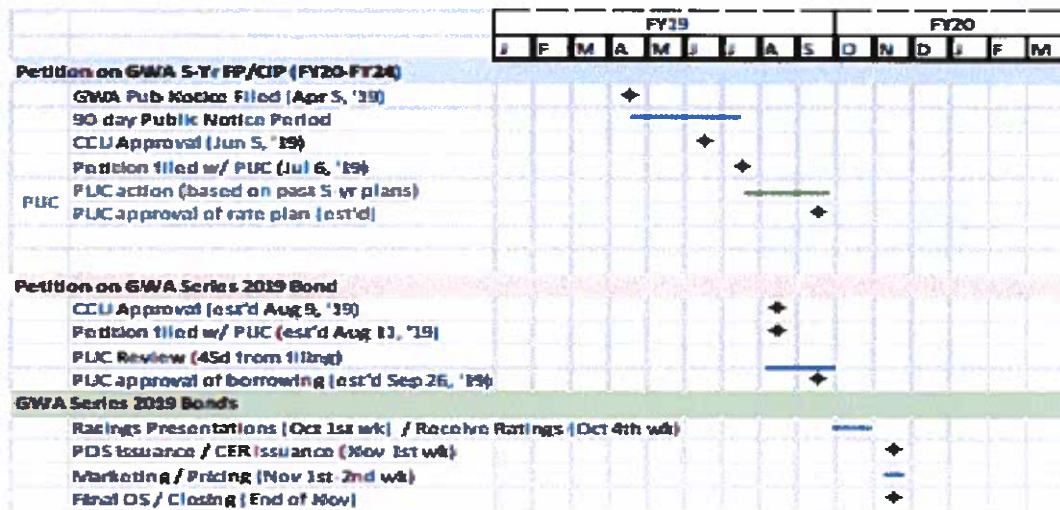
4.1 Discussion on GWA's Five-Year Financial Plan and CIP

- GWA filed public notice of financial plan and proposed rate increases on **April 5, 2019** (90-day) and **June 6, 2019** (30-day)
- 90-day public notice period required by Ratepayer Bill of Rights commenced **April 5, 2019 to July 6, 2019**

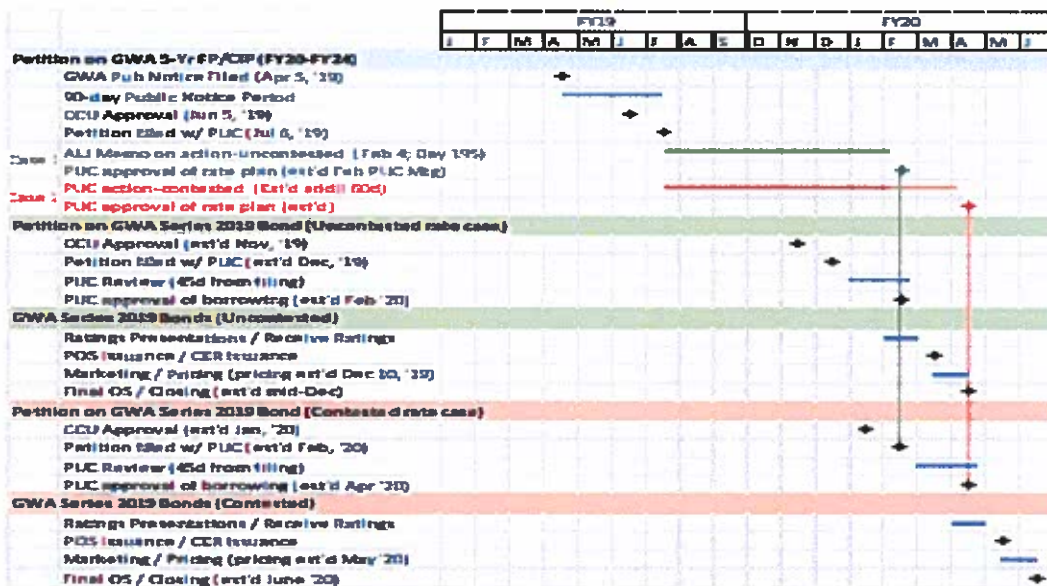
- GWA held three (3) village meetings and conducted
 - Yigo, Agat/Santa Rita, Mangilao village meetings: **May 2019**
 - Governor/Lt. Gov., Speaker Barnes / Sen. Perez, Mayor's Council: **May-June 2019**
 - Guam Chamber of Commerce, Rotary Club of Guam, Guam Society of Professional Engineers: **May-July 2019**
- GWA filed rate case petition with PUC on **July 6, 2019**
- Based on past PUC action, anticipated decision w/in 60-90 days by FY2020

RATE PLAN AND FINANCING SCHEDULE IMPACTS

GWA Planned Schedule



PUC Planned Schedule



Current Status

- PUC ALJ and consultant have indicated full 120-day action period is likely (**formal PUC approval February 2020**), and even longer if Navy intervenes.
- Upon PUC ALJ request, GWA notified Navy and asked if they intended to intervene in rate case petition
- GWA was notified August 2nd that Navy Counsel has decided to intervene in rate case
- With a contested rate case, 5-yr rate plan is not likely to be approved until **April 2020**
- Bond Counsel has advised that GWA cannot go to the market without approved rate relief to support the borrowing and meet the indenture requirements, therefore, if PUC does not approve a rate plan until February of 2020
 - GWA will not be able to complete Court Order Projects on time
 - GWA may not be able to complete NDWWTP upgrades required by OEA

GWA Actions

- Consulting Engineers report on-going; POS development is on-hold
- Counsel is verifying
 - PUC public notice requirements
 - PUC statutory action requirements
- Acting CFO, GM and Counsel are evaluating options
 - Filing for approval of year 1 rate to facilitate reduced borrowing to cover Court Order and NDWWTP/OEA project needs
 - File motion with PUC with scheduling modifications to move up PUC public notice period and shorten overall approval
 - File notice with the District Court advising of delay to completion of Court Order projects due

The GM advised that bond counsel said GWA has to be able to show that it can meet the coverages in the indenture either historically or prospectively – historically using the current rates or prospective using approved forward looking rates. The GM said they do not have the perspective piece at this time.

He added that he asked what if GWA only asked for year 1 rate increase but in order to do this sand to meet the requirement it would mean a \$75M borrowing and the increase would be 17%. The GM said if this request was made, he is concerned that the PUC would restart the clock and he is not sure of the value of asking this question at this point.

Comm Santos asked what the Navy intervention mean? Counsel Kelly said that it is not clear or hard to guess. The Navy never intervened before. The GM said that he made it clear to the Navy that they have no special rates with GWA

Comm. Santos what would happen if GWA does not complete the Court Order on time. If GWA was in contempt, it would be USEPA's call.

The GM said he made it clear in the last scheduling conference that the reason he would like to expedite their approval was specifically for the Court Order and to get the best interest rates to benefit the ratepayers.

The GM clarified that the 17% increase in year 1 would be followed by no rate increases for the next following 2 years.

Management also added that they had a pre-filing conference with PUC and their consultants in April to see if they get ahead of the process.

Comm. Limtiaco asked besides the potential for Navy intervention what is different this time and management said the last 2 rate cases were handled by a different ALJ and a different consultant.

The Chairman said we just need to keep communications with the ALJ and to respond immediately to request for information [RFI].

Comm. Limtiaco said it is also important to let USEPA know that GWA has met all their timelines and we have no control over PUC.

5. ANNOUNCEMENTS

5.1 Next CCU Meetings:

The Chairman reminded the Commissioners of the August meeting dates – GPA Work Session on August 20; GPA Work Session on August 22, a CCU/GWA Meeting on August 27 and a CCU/GPA meeting on August 29.

There was discussion on the scheduling for CCU meetings relative to timelines for GPA and GWA key matters.

Comm. Limtiaco said it is important that there is no delay and is wondering if we need to move faster. We should decide to draft a resolution and recess this meeting and present the draft resolution when we meet again.

Comm. Guthertz motioned to recess this meeting until Friday, August 16, 2019 at 4 p.m., second by Comm. Santos. There was no further discussion or objection and the motion passed.

**CONTINUATION of Special Board Meeting
Of Guam Waterworks Authority on August 9, 2019
CCU Conference Room, Gloria B. Nelson Public Service Building
RECONVENED at 5:30 p.m., August 16, 2019**

CCU Vice Chairman called the meeting to order at 4:11 p.m. He said this is a continuation of a Special Meeting held on August 9, 2019.

Those present include:

Commissioners:

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
Kelly Clark	Legal Counsel / GWA

Management & Staff:

Zina Pangelinan	Personnel Admin / GWA HR
Lou Sablan	Board Secretary / CCU

Comm. Guthertz moved to excuse Chairman Duenas who is off-island; second by Comm. Santos. There was no objection.

GM Bordallo said at the last meeting management received instruction from the CCU to examine whether notification needed to be provided to the court with respect to the potential delay of the rate plan and subsequent borrowing which would cause delay in the completion of court ordered project. Counsel found a provision in the Court Order which allows for dispute resolution. He said management has been in discussion with USEPA about this delay and other potential delays and they have not disputed that additional time is required so management is not sure whether or not to use this clause to handle any dispute resolution. Management feels that at this point it would be premature to make an official notice to the court. As the deadline gets closer and with better handle of deadlines with court ordered projects it would be best to postpone any filings.

Comm. Limtiaco said the CCU at the last meeting raised concerns if the Commission had a duty to notify the court and what was outlined was the sense of urgency. Given managements input today perhaps there's a different course of action other than notifying the courts. Comm. Limtiaco made it clear the he thinks management should notify all parties as soon as possible. GM Bordallo confirmed that EPA and DOJ are aware of the current situation. DOJ has expressed in a recent email that they are concerned and not happy about the proposed rate case schedule for approval. The GM said he would

be happy to provide details at an executive session at a future meeting. There was discussion to possibly amend the agenda to include an executive session for further discussion.

Comm. Guthertz asked why the PUC delayed the rate case approval. The GM set up the schedule for this rate schedule based on past rate case but PUC is being very conservative in their scheduling and more formal than in the previous rate cases. One example is they asked about Navy and possibility of their intervention which they did not do in the past. ALJ has been very conservative with scheduling.

Comm. Sanchez said PUC knows that GWA needs this borrowing to finish the court order. He recommended that management write ALJ letter to share concern that we stay on track and on time to complete the court order with copy to EPA, the PUC Commissioners. He also commented that he was surprised that PUC is asking for Navy's opinion and encouraged management to continue collaborative efforts. Our goals are the same - to finish the court order. He is comfortable to authorize the Chairman to capture in writing CCU's sentiment / concern and copy EPA, PUC Commissioners and the CCU.

The GM said he will be presenting to Navy on Tuesday next week at their offices in Nimitz Hill. Management will give the same presentation that was given to the Governor.

Management will update CCU at the GWA WS on August 20th.

6. ADJOURNMENT

There being no other business to bring before the Commission, the meeting adjourned at 4:35 p.m.

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Bls

Attested



JOSEPH T. DUENAS, Chairman



MICHAEL T. LIMTIACO Secretary