



**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  
GUAM POWER AUTHORITY  
CCU Conference Room, Gloria B. Nelson Public Service Building  
5:30 p.m., August 29, 2019**

**MINUTES**

**1. CALL TO ORDER**

The Chairman called the CCU regular meeting for GPA for August 29, 2019 to order at 5:53 p.m. He said all five (5) Commissioners were present for a quorum. 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
Melinda Mafnas	AGMO / GPA
John Cruz	AGMET / GPA
Tricee Limtiaco	AGMA / GPA
Chris Budasi	AGMA / GWA
John Kim	CFO / GPA
Gilda Mafnas	CFO (A) / GWA
Kelly Clark	Legal Counsel / GWA
Graham Botha	Legal Counsel / GPA

**Management & Staff:**

Art Perez	Communication / GPA
Heidi Ballendorf	Communications / GWA
Jennifer Sablan	Manager SPORD / GPA
Cora Montellano	Asst. CFO / GPA
Vien Wong	IT / GPA
Joyce Sayama	Mgmt. Analyst / GPA Ex.Office
Lou Sablan	Board Secretary / CCU

**Guest:**

Jonas Santos	Sen. Ridgell's Office
Angelica Perez	AM Insurance
Joni Kerr	Resident
Michelle. Voacolo	Resident
Rino Monzano	MEC / OSAKA
E. Momoto	MEC / OSAKA
Kuri Hara	MEC / OSAKA
Osaza	MEC / OSAKA
Yanaka	MEC / OSAKA

## 2. APPROVAL OF MINUTES

No Minutes were presented for approval at this meeting.

## 3. COMMUNICATIONS

### 3.1 Public Comments

There were two (2) resident who addressed the Commission – Ms. Joni Kerr, a teacher at Guam Community College and Michelle Voacolo, a concerned citizen.

Ms. Kerr encouraged management to take a closer look at renewable energy. She is concerned about the cost of the new plant and said funds would be better used to implement more renewable. Also mentioned emissions. Management said the new plant will only create emission that is compliant with USEPA standards. Existing plants must be equipped with scrubbers which is not cost effective. Also Ms. Kerr asked to consider more roof space in agencies and residents subsidized by GPA. Also mentioned use of treated wastewater to be used at the new plant; she was concerned if odor will be eliminated. Chairman said the plan to use treated wastewater is better than the system currently being used at Cabras now because the water at Cabras is taken from the ocean and put back into the ocean which affects the environment. She mentioned her concern about the South Korean company that will run the plant and that they were running the Cabras plant during the recent explosion. The GM said as far as GPA is concerned, there is no issue with KEWP – there were so many variables that could have caused the explosion and none of the independent investigative agency came up with any conclusive root cause for the explosion. Management said that all the costs are borne by KEWP the contractor and that they own it until after 25 years. They are responsible to ensure that the plant is 96% operate at all times. The GM named the current IPP's and GPA's successful experience with this type of business unit. She was also concerned about the use of LNG and said it is a very volatile agent. Management said LNG is not part of the current contract. The power plant is designed to also burn LNG in the future. It will be considered in the future. Comm. Limtiaco said the issue is GPA still has to address making the current plant compliant and the cost is about \$400M plus \$15M in O&M and \$100M in fuel cost. This retrofit would not result in any rate decreases and no addition of renewables. Comm. Sanchez added that the tradeoff is ratepayers want a lower power bill and to still be environmentally friendly and compliant. Ironically this plant better serves this goal – it will help lower the power bill and will enable GPA to add more renewables.

Ms. Voacolo said she has similar concerns about environment emissions at the new power plant. She pointed out that USEPA standards does not necessarily put the environment first. Comm. Sanchez responded that the USEPA standards is a national standard applicable to every source of generation

which was established back in 2012. She asked if the power plant in 10-15 years can become a strained asset with renewable energy on the rise. Comm. Sanchez said no and explained that the renewable argument is different in the states vs. Hawaii and Guam. No one is proposing that one can go to 100% renewable in a couple of years – it is a migration process that may take as much as 20-25 years and by that time, this new power plant will be paid off. KEPCO operation losses is another concern and Ms. Voacolo names a few citations that she gathered from a report. Comm. Limtiaco said that KEPCO had to file a performance bond. They have to be bonded and if they cannot perform the utility takes the bond money. There are provisions in the contract that put a financial impact on KEPCO, if they cannot perform. GPA holds the bond.

#### **4. GPA**

##### **4.1 New Business**

##### **4.1.1 GM Report - None**

##### **4.1.2 Financials - None**

##### **4.1.3 Resolution No. 2019-13 Approval of Energy Conversion Agreement [ECA] for New 198MW Combined Cycle Power Plant**

The commissioning of the *new dual fuel power plant* is critical to meeting GPA's Compliance Plan with USEPA. Discussions and negotiations for a consent decree are currently ongoing between GPA and USEPA. GPA's plan is to have all power plants compliant with USEPA regulations, which includes the retirement of Cabras 1 & 2, and the conversion of MEC 8 & 9 to use ULSD. The *new dual fuel power plant* will provide high reliability, significant fuel efficiency compared to the aging Cabras power plants, and the fuel efficiency savings will minimize the conversion impact from transitioning to a more expensive cleaner ULSD fuel. The *new dual fuel power plant* will reduce GPA's annual fuel consumption by about 35 million gallons of fuel per year. The *new dual fuel power plant* can also burn natural gas, at a substantial O&M savings, and the use of LNG would allow GPA to further reduce energy cost. The *new dual fuel power plant* is critical to the future of the power system and GPA needs to proceed with commissioning the new power plant by October 2022.

GPA is requesting the CCU and PUC to review and approve the Energy Conversion Agreement (ECA) with KEPCO for the new dual fuel power plant and its supporting schedules and documents. KEPCO is providing GPA with a new dual fuel power plant for a total firm capacity of 198MW to include three (3) Siemens ST 800 45MW combustion turbines for total MW capacity of 135MW and one (1) 63MW Siemens steam turbine.

The plant will be located at the Harmon (Ukudu) Area and anticipated cost is 25-year net present value of \$3,121,230,000. The projected commissioning of the new plant is October 2022 and the funding source is base rate, LEAC and Cabras 3&4 insurance proceeds

Comm. Sanchez motioned to accept the abbreviated briefing presentation from the August 22 GPA Work Session into the new power plant package being considered for approval, second by Comm. Limtiaco. There was no objection or further discussion and the motion carried unanimously.

The GM proceeded to give his brief on the new plant summarizing on the purpose of the new power plan, the procurement process, the characteristics of the new plant, the impact on rates, and the USEPA Consent Decree.

Some key purposes that were mentioned include 1) the need to comply with USEPA's RICE-MACT and EGU-MACT regulations which became effective in 2013 and 2015 respectively. All base load plants are non-compliant and penalties accrued to date are in the hundreds of millions 2) to replace aged Cabras steam plants. The Cabras plants were commissioned in 1974 and is nearing the end of its useful life and is a source of significant USEPA non-compliance penalties 3) to meet load growth and avoid rolling load shedding. There would be challenges meeting load growth over the next three years. Without new capacity beyond 2022, load shedding would again impact ratepayers 4) to increase renewable integration because existing units are not able to operate well with intermittent renewables. The new plant is needed in order to achieve higher renewable portfolio standards.

The GM also talked about alternatives for compliance with USEPA stating that the current baseload plants at Cabras will require fuel conversion to Ultra Low Sulfur Diesel to comply with air emission regulations. He said the plants require additional investments to address existing and future air and water USEPA regulations and that GPA is facing significant penalties from USEPA if compliance plan is not implemented. The new plan will be compliant and is more economical compared to conversion for compliance life extension and operating costs of the Cabras 1&2 units

He said the USEPA penalties are about \$352M. He added that they have been trying since 2012-2013 to initiate a consent decree and work with USEPA on a compliance plant to avoid paying these fees. Management believed that USEPA will defer filing a consent decree if GPA shows due diligence of their plan to resolve the compliance issues with the current plants that are non-compliant

The GM gave USEPA a proposed compliance / retirement plan for the plants that are non-compliant to include construction of 180MW of combined cycle units and commission units fired on Ultra Low sulfur diesel and/or Liquefied Natural Gas no later than Sept. 30, 2019.

At the end of the presentation the GM summarized that the new power plant is critical to the future of the power system and we need to proceed in commissioning the plant by October 2022; that the new plant is much more reliable than the existing units; that The new plant is much more efficient than existing units; that the new plant improves the sustainability and resilience of the island and that the new plant utilizing ULSD provides the opportunity for a net reduction in cost by 2023.

In addition, he requested the CCU and will petition the PUC to approve the Energy Conversion Agreement with KEPCO for the New Combined Cycle Plant and its supporting schedules and documents namely the Energy Conversion Agreement [ECA] and the ECA schedules and supporting documents

The Commission proceeded to review the Energy Conversion Agreement (ECA) section by section.

Article 1 is related to definitions and there is nothing unusual there. Legal Counsel Botha said there are some long Guam specific definitions included but most are standard definitions. It was mentioned that the governing law of the contract are the laws of Guam and the U>S.

Comm. Santos asked why arbitration is held in Los Angeles and is it binding – this will be addressed when we come to this section in the Agreement

Article 2 – Interpretation – Comm. Sanchez recommended management to state at the beginning of each Article a summary of what it contains / means and discussions can then follow on the related article / section. There was no discussion on Article 2, Interpretation.

Article 3 – Reserve – Comm. Sanchez asked the meaning of “Article 3 Reserved” and why is it there. Project Manager said that Article 3 was not used. In discussion Comm. Duenas said that he assumes that this is a standard template of Stanley’s and Article 3 is related to something that is not needed in this ECA. There was discussion if it can be removed. Legal Counsel said he does not think there would be a problem. Comm. Limtiaco said there are other sections in the ECA that refer to “not used” so can we then remove these so it is not confusing. GM Benavente said if these phrases are removed it will affect all other related references in the other sections of the ECA. He added that this will take more time to scrutinize each and every sentence to ensure that after the renumbering that the references are correct. Comm. Santos again asked Legal Counsel his opinion and he responded that he does not see any reason why these references cannot be removed.

Comm. Sanchez motioned to delete on Page 16, Article 3 Reserved from the ECA and renumber everything else that follows, second by Comm. Santos.

In discussion, Comm. Limtiaco referred to other sections in the ECA that refer to “not used” or “reserved” and wanted to amend the motion to include removal of any and all references that are not specific, not used or specifically reserved or any similar language, second by Comm. Sanchez for discussion.

In discussion Comm. Sanchez asked management if this blanket motion to remove these types of non-specific references will be an issue. CFO John Kim said that all these references are cross referencing each other. If we change the sequences and don’t properly change the reference mistakes can be made. Comm. Santos said don’t make a mistake and that this is a \$400M contract. GM Benavente said renumbering will take up a lot more effort to correct other numbered references in other parts of the contract. Management has been vetting this for many weeks but management will do what the CCU wants.

Comm. Limtiaco does not understand why these unused sections were not removed at the initial review. Comm. Duenas asked if Article 3 is removed will it make any difference. Comm. Sanchez said if there is any reference in Article 3 in the other parts of the ECA what would it mean? Comm. Duenas is asking for a response.

Comm. Santos said this contract is the single largest contract that this agency has done and we will do it right. The CCU will address all their concerns, we will recess and management will come back with a clean contract with all the changes. It was mentioned that KEPCO must be advised.

Comm. Guthertz said she read the ECA twice and she also noticed Article 3 and other areas of the ECA with similar notations. She agrees if it is not needed why include it and create confusion. As another

alternative, management should go back to each section and both parties sign off that these sections do not mean anything.

CFO Kim said this is a boiler plate template that is used and if say Article 3 is left out the numerical sequence will be out of sequence and anyone reading it would ask what happened to the missing article. The reference "reserved" is just an audit mechanism.

Comm. Sanchez asked Legal Counsel why we would agree to a boiler plate where something is missing. Comm. Limtiaco said a boiler plate is a starting point and is reviewed and cleaned up.

Legal Counsel Graham said it is best to just delete the unused article and renumber everything.

On the amendment to amend the motion to include removal / deletion of any and all references that are not used specifically or noted as reserved or any similar language, the vote was unanimous

On the main motion as amended the vote was unanimous

Article 4 – Sale and Purchase of Capacity and Energy. Ms. Sablan said this article is to create capacity and for GPA to buy that energy and capacity.

Comm. Limtiaco asked about the fuel supply, Section 4.3.1[a] and asked if once the pipeline is in service from Cabras to Ukudu why is there language here about transportation. Legal Counsel Botha said GPA's obligation is to transport up to the plant via the pipeline or otherwise. He said his concern some of the savings associated with this plant is eliminating using fuel tankers. GM Benavente said there is no way that we can truck enough fuel via tankers and that fuel will be delivered via the pipeline. MANAGEMENT WILL ASK IF THE WORD TRANSPORTATION BE CHANGED TO DELIVERY.

Re Section 4.3.1 [h] Comm. Limtiaco asked if this refence just the term of the ECA. GM Benavente said KEPCO will construct the pipeline and will be transferred to GPA for operation and maintenance during the 25-year ECA term. KEPCO just wants it clear that it's GPA's responsibility to maintain the pipeline. Comm. Sanchez asked what [x] means and Ms. Sablan explained that [x] is just a numbering reference i.e. "first" and [y] means "second".

Re 4.3.2 [a][b] - Re yellow highlighted references Comm. Limtiaco asked if this information ref MMBtu will be filled in at a later date? Ms. Sablan confirmed that yes GPA needs to supply this number to them on this date.

Re 4.5[d] Comm. Limtiaco asked if the "Excusable Event" referenced here is specific or identified? Comm. Sanchez read the definition that an excusable event is noted only twice – 30 days prior to the bid date and at the financial closure.

Re 4.5 [e] relative to fuel savings bonus, Comm. Sanchez asked for an explanation. GM Benavente said the project company asked to include a bonus clause here but he did not agree. However, the GM did agree to leave this clause in the ECA just in case there is an opportunity that the project company implements things that will result in savings.

Re 4.7 [c] relative to non-conforming fuel Comm. Limtiaco asked if there is anything in GPA's fuel contract that protects GPA for this? GM Benavente said that the fuel is tested before it leaves Singapore. Ms. Sablan added that GPA tests the fuel at the tank point and there should not be any issue for conformance after this point.

#### Article 5 - Terms, Defaults and Remedies

Article 5.1 [a] – Terms of Agreement. Comm. Limtiaco noticed that some articles are effective upon the agreement and others after the financial close. Comm. Limtiaco asked for an explanation. Legal Counsel Botha said the definitions and interpretations are effective upon the signing of the agreement and Article 4 does not become effective until the financial close. Article 5 does apply because it speaks to the terms and remedies. Article 6 the covenants except for pre-existing conditions will not apply until financial close Article 8&9 does not apply until after financial close. Comm. Limtiaco said if they are not able to finance the plant then they are in default and the \$3M bid bond will remain with GPA. Ms. Sablan said subject to the actual financial close date, and there are some allowances for delays, dates may move and for this reason everything happens after that date.

Article 5.1[b] – Comm. Limtiaco asked if they making the requirements of the agreement that “is shall be extended”. Legal Counsel said that this mutual agreement will be discussion at the end of the 21<sup>st</sup> contract year. The language is “shall” because management wants to begin to discuss early. Legal Counsel said sufficient time is important to allow to exchange / discuss with each other should investments be needed. Ms. Sablan also said this is also important because there is the \$15M transfer security before the end of term and this is good to decide if this will happen at this time or later. They are supposed to make sure the facility is at its best condition at the end of the contract. Legal Counsel added that at upon financial close and then after this they still need to put up the \$63.8M performance bond.

5.2 – Project Company Events of Default. Comm. Limtiaco asked about the LLA, land lease agreement. Legal Counsel said there is a lease for 25 acres to the KEPCO so that during the course of the 25 year the property must be kept clean. GM Benavente said that this is necessary for them to finance it and then it all comes back to GPA at the end. Comm. Limtiaco asked if this lease is available to mortgage. Comm. Sanchez said they can mortgage their portion of the lease. GM said their financing will be 80% of the facility and 20% equity. It was mentioned that the lease is \$100 per year.

5.2 [i] – Re threshold capacity. Comm. Limtiaco asked for clarification. GM Benavente said this gives them an opportunity for not meeting the threshold capacity. There is a penalty for not meeting this and this is an issue for default. Comm. Limtiaco said 15 months is over a year and is this something that GPA can accept with plant shutdowns being planned. Comm. Limtiaco said his concern is if GPA has to fire up plants that are more expensive GPA would be eating into the savings that is planned. GM Benavente said there is also a penalty for efficiency so it an incentive for them to get back up more quickly.

5.2 [j] – Re 285 outage hours in each month of a period of 6 months. Comm. Limtiaco wanted clarification re maximum of 15 months – is this reasonable and does it eat into the projected savings to the ratepayer. GM said there is capacity and efficiency penalties. Comm. Sanchez asked of the penalty sufficient to cover cost to ratepayers. Ms. Sablan said there is a portion on the fuel cost allocation that says if they

are not able to operation at 100% then the heat rate calculation. If there is a loss, the penalty would be the differential.

The Chairman called for a 5-minute break; it was 8:10 p.m. At 8:20 p.m. the Chairman called the meeting back to order.

Article 5.2 [s] Comm. Santos asked the name of the Lender's agent – Legal Counsel said this is not known at this time.

Article 5.4 [a] – Early Termination and Termination for Prolonged Force Majeure. Comm. Limtiaco asked for clarification. CFO Kim said this was a special request by GPA. Legal Counsel said GovGuam reserves the right to protect itself should they want to terminate. Comm. Duenas said there is a set amount set forth in Schedule 10.

Article 5.5[d].[e] – Termination Notices and Rights – Comm. Limtiaco cited verbiage that “the Parties will commence working together diligently and in good faith to effect such transfer within [45] days of GPA's receipt of Project Company's Termination Notice, or as soon as practicable but otherwise no later than [90] days thereafter” – the Comm. Asked if this was a reasonable timeline. Legal Counsel said that this is just the point. He said if we do this, we better have all our ducks in a row – lenders don't like termination for convenience that is why the timeline is short.

Article 5.5 [i] – Comm. Limtiaco asked clarification on referenced Connection Agreement. Legal Counsel said that this contemplates that for some reason GPA wants to stop the agreement. This gives the project company the option to sell the grid to someone else to try to get their investment back. From the lenders agreement this is the intent. Comm. Limtiaco asked what scenario would apply relative to this connection agreement. Ms. Sablan said in the instance if GPA defaults and cannot pay. All this is saying is they are allowed to access the grid because there is no other customer but GPA. Comm. Sanchez said this is a remnant clause that protects the lender – gives them comfort that they can recover. We have to default to trigger this clause.

Discussion followed through the entirety of Article 6 but not detailed here. The audio is available upon request for detailed review.

## **5. ANNOUNCEMENTS**

### **6.1 Next CCU Meetings**

The Chairman announced that this meeting will be recessed and will resume tomorrow at 3 p.m., August 30, 2019. He added that September meeting dates are a GWA Work Session on Sept. 17; a GPA Work Session on Sept 19 and the Regular Monthly CCU meeting on Sept. 24.

The Chairman called for a recess until 3 p.m., tomorrow August 30<sup>th</sup>. The time was 9:07 p.m.

**CONTINUATION of Regular Board Meeting of August 29, 2019  
For GUAM POWER AUTHORITY  
CCU Conference Room, Gloria B. Nelson Public Service Building**



### **3:30 p.m., August 30, 2019**

The Chairman called the meeting to order at 3:53 p.m. He said this meeting is a continuation meeting from August 29th which was recessed until today. He said the CCU is reviewing the Energy Conversion Agreement [ECA] with KEPCO for the new 198MW power plant.

Those present include:

**Commissioners:**

Joseph T. Duenas	CCU Chairman
Francis E. Santos	CCU Vice Chairman
Michael T. Limtiaco	CCU Secretary
Judith P. Guthertz	CCU Treasurer
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**Executive Mgmt.:**

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Jennifer Sablan	Manager SPORD / GPA
Joyce Sayama	Mgmt. Analyst / GPA Ex. Office
Lou Sablan	Board Secretary / CCU

Chairman Duenas updated that today oversight Chairman Sen. Clynt Ridgell sent a letter to the Commission asking for their consideration to postpone approval of the ECA Contract with KEPCO until after a scheduled Public Hearing scheduled for Sept. 10 from 9-12 p.m. As background info the Chairman said the Commission did meet with the Governors [both previous and current] and Legislature during the entire process of project i.e. procuring the land etc. In doing so, we were transparent about what we were doing and why. We did not have the handle on money yet at that time so this was not part of the discussion. The letter from Senator Clynt Ridgell, the Oversight Chair for GPA was discussed all Commissioners gave their thoughts.

Comm. Guthertz said this will set a precedence and any future actions that require us to take a vote and where the legislature writes us to request to postpone / delay action what do we do then. She said we need to think about this.

Comm. Sanchez said having been a Senator himself, he respect and understand where Senator Ridgell is coming from. He is trying to exercise his due diligence of oversight but said he also respects the laws of Guam that 50 years ago said Guam Power Authority shall be responsible for the power system. The laws of Guam 25 years ago authorized Guam Power Authority to enter into public private partnerships

to solve energy problems. And, the Guam Power Authority has successfully entered into public private partnerships – procured, awarded and seen them constructed and paid off just as was intended by the law. Some include 120 MW of new solar power, 25MW of existing solar and the laws of Guam give GPA those powers on behalf of the people of Guam. The laws of Guam further removed the Legislature and Governor from the decision making for the utilities by creating an elected board, directly elected by the people to govern GPA and out of respect for those laws, we offer our services to implement policy. He said he does not think the Senator intends to ignore the laws of Guam. Right now, we the Commission, are in the process of carrying out this law. In addition, the Commission respects that this matter will be reviewed by another rate setting, independent body, the Guam Public Utilities Commission for their review and approval. Guam Power Authority has demonstrated many times their ability to execute public private partnership. We are implementing the laws of Guam as dictated by the people of Guam by their vote. He asks Senator Ridgell to allow the Commission do its job and asks Senator Ridgell to respect the laws of Guam that are on the books.

Comm. Limtiaco agreed with Comm. Sanchez but moreover, the CCU/GPA did its due diligence to reach out to the public and did specific presentations to the Administration & Legislature. The Senator could have called the Commission to ask clarifying questions or to attend our meetings or to follow-up with status way before now. Comm. recommended asking the senator and other senators to come to our continuation meetings re New Power Plant. We could recess the meetings as many times as we have to in order to answer any of their questions but it should not prevent us from making our decision from what we are doing going through the ECA and evaluating its content.

Comm. Santos commented that Sen. Ridgell's staff was in attendance at last night's meeting why not him? We can acknowledge and attend the oversight hearing on Sept 10 and respond to his concerns. If there are any specific questions, provide them in advance so we can prepare. We cannot stop the work that has already been begun.

Comm. Sanchez further added that we are not new to this, in our case, the legislature passed these laws and delegated the authority over GPA to us. They created the PUC and public private partnerships all more than decades old. The legislature has delegated authority to entities like us. More importantly we have been elected directly by the same people the elected the Senator to implement the laws of Guam by any objective measure these laws have resulted in a better power and water system today than what we had before. In its wisdom the Legislature decided to have the governance be decided by the ratepayers of Guam and created the Consolidated Commission on Utilities. We have a duty to perform by law and know the clock is ticking with USEPA and have a recommendation by management that says the best way to reduce power to ratepayers is to implement and award this procurement of this type of generation mix in order to implement other policies like renewable energy growth. I trust this group to make the best decision possible.

Comm. Duenas said he will include the Commissioner's comments in his response letter adding that we still need to work on a resolution after the ECA review and may not complete that today. He said if we recess tonight's meeting to another date, he would invite Sen. Ridgell to that meeting

Project Manager Jennifer Sablan mentioned that she invited GPA's technical consultant representative to attend the meeting via conference call and he joined the meeting at this time.

Comm. Sanchez asked status of the feasibility study i.e. forecasted rates. Comm. Sanchez stated for the record that GM and CFO's understanding if there are any adjustments needed that if there are any change your expectation that the savings will go up and not down. GM said the savings is what it is under RFO. Comm. Duenas asked when will the feasibility study be complete and CFO Kim said next week. Comm. Sanchez reiterated again for the record to the GM and CFO whatever adjustment you expect from that study the savings would be higher and the response was yes.

The ECA review continued with discussion with Article 7 – 12, not detailed here. The audio for this portion of the Minutes [8.29.19 Cont'd 8/30/19 Reg1] is available for review upon request.

Comm. Duenas commented on section 13 and forward saying these sections deals with technical issues. The audio for this portion of Minute [8.29.19 Cont'd 8/30/19 Reg1] is available for review upon request.

Comm. Limtiaco commented on the schedules on page 419 of board books. He wanted confirmation that management and the consultants have reviewed all the schedules provided and that management is asking CCU to approve. Legal Counsel said yes.

Comm. Santos commented that every page on the ECA must have initial boxes to be initialed by representatives of both parties. Legal Counsel confirmed his understanding.

There was discussion on the CCU response to Senator Clynt Ridgell, Comm. Santos said this matter is delegated to the CCU but the actions taken are owned by and the responsibility of the CCU and does not feel that it is necessary to explain.

Comm. Sanchez said now that management has reviewed the contract do, we now give management authorization to send it to the PUC.

Comm. Santos asked management when can the updated version of the ECA be made available and when we can meet again to review it.

Comm. Limtiaco recommended to tackle resolution now; and invite everybody to the next meeting including the senators. This is a public meeting / hearing and why not invite them to attend

Comm. Guthertz asked if the Commission plans to vote on Wednesday because she would not be able to attend. After some discussion, it was decided to continue this meeting on Tuesday next week at 6:30 p.m.

Comm. Santos asked for a 5-minute recess. It was 6:15 p.m. The meeting was resumed at 6:25p.m.

In discussion Comm. Limitaco said what he liked about Comm. Sanchez's version is that it sets out the project chronologically.

Comm. Santos moved to accept Comm. Sanchez proposed changes to Resolution 2019-13 from management for the purpose of working on a new version 8, second by Comm. Limitaco. The vote was 5 ayes, unanimous.

Comm. Limtiaco motioned to amend Comm. Sanchez's version of Resolution 2019-13 for new version 8, second by Comm. Santos.

Board Secretary Sablan was asked to combine the edits recommended by Comm. Sanchez.

Comm. Sanchez asked for a 5-minute recess, while the Resolution was being updated. It was 6:40 p.m. The meeting reconvened at 6:50 p.m.

The new version 8 was presented and reviewed by the Commission and management with further changes.

It was decided to recess this meeting and to reconvene again giving management time to make the updated changes to the ECA and Resolution 2019-13 for final review.

Comm. Guthertz moved to recess the meeting until 6:30 p.m., Tues., Sept. 3, second by Comm. Sanchez.

The time was 8:20 p.m.

**CONTINUATION of Regular Board Meeting of August 29, 2019  
For GUAM POWER AUTHORITY  
CCU Conference Room, Gloria B. Nelson Public Service Building  
6:30 p.m., September 3, 2019**

The Chairman called the meeting to order on September 3, 2019 at 6:34 p.m. He said this meeting is a continuation meeting from August 29 which was reconvened & recessed on August 30 and reconvened again today. He said the CCU is reviewing the Energy Conversion Agreement [ECA] with KEPCO for the new 198MW power plant.

Those present include:

**Commissioners:**

Joseph T. Duenas	CCU Chairman
Francis E. Santos	CCU Vice Chairman
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Joyce Sayama	Management Analyst / Ex. Office, GPA
Lou Sablan	Board Secretary / CCU

**Guest:**

Eloy Hara	Former Commissioner
Clynt Ridgell	Senator
Jeff Johnson	PUC

Sen. Ridgell said he would like to formerly enter for the record his public comment / opposition letter to the CCU (copy in file). His letter stated that he has learned that KEWP and KEPCO has won the bid for the new power plant and that KEWP is the same company that was managing Cabras 3 during the explosion. He objects to the approval of the KEPCO Contract because he does not feel that GPA should give a contract to a company that was operating a plant that exploded.

Initially the Senator started to leave but Comm. Simon asked him if he would please stay to respond to questions from the Commission or for the Commission to respond to questions that he may have. The Senator said he did have some questions from the previous oversight meeting that CCU/GPA still has not responded to. The Senator said that he respects that the CCU is an elected body and hopes that they too will respect his right as a ratepayer.

Comm. Duenas clarified that the company that bid is Korea Electric Power Company (KEPCO) not Korea East West Power (KEWP) the firm that was GPA's IPP during the Cabras 3&4 explosion. He added that KEWP is a subsidiary of KEPCO and is not involved in the contract.

The Senator was very upset and stated that he did not come to this meeting to have a debate or for the CCU to conduct an oversight hearing on him. After a long exchange with Comm. Sanchez the Senator walked out

Comm. Sanchez asked for a 20-minute recess to allow the CCU time to review the changes on the contract and resolution. It was 6:55 p.m. The meeting resumed at 7:15 p.m.

Comm. Sanchez said without taking too much time he wanted to address a number of issues that Sen, Ridgell asked in public. In the absence of any questions from him we can respond to questions he posed on Facebook or on a recent press release. On a section of the press release on the power plant

Sen. Ridgell was concerned what the new plant would cost ratepayers and no ceiling was set for the cost and GPA could be locked into an expensive power purchase agreement. Comm. Sanchez asked GM Benavente if he is allowed to put a ceiling on the bid. GM Benavente said no but you would select the lowest bidder. When you start to cap things like this what it does it limits the number of potential bidders. The PUC ordered GPA to make the plant agnostic – technology neutral. Capping this bid would limit the options. Did any of the bidders bid for 100% renewable? The GM said no. Comm. Sanchez asked why and the GM said you would need a huge piece of land. It was mentioned that there was seven bidders. Comm. Limtiaco asked if there was one single location that you can great 180 MW of photovoltaic solar energy. GM said that when he did this calculation the amount of land needed is about 4000 acres. Comm. Limtiaco said so you would have to place multiple solar farms all over the island and would it be expensive for interconnections and the GM said yes and a substantial amount of batteries. Comm. Sanchez said at the hearing and press release commented re the LNG pipeline that it would require a storage and gasification facility at the port the cost of which has not been factored in for the new power plant. He asked the GM if the new plant will reduce power by 8% as noted on the presentation that the GM gave to the Senator in March 2019. Comm. Sanchez asked if the floating FSRU was not factored into the cost and the GM said yes because it was already factored in. Comm. Limtiaco asked if GPA provided Sen. Ridgell the LNG study and did it include the cost of the FSRU. The GM said yes. Sen. Ridgell said he did not get the response to his questions at his oversight hearing. The GM stated for the record that the responses to his questions were given to him on June 3. Comm. Sanchez said the Senator also said in his May press release that he does not think LNG as power source is feasible for Guam. Did GPA do a study that LNG plant could be done on Guam and the GM said yes – there's the Integrated Resources study the LNG study. Comm. Sanchez asked if the PUC ever question whether LNG was feasible for Guam. The GM said that they agreed to include the building of the pipeline related to the new plant. Comm. Sanchez asked confirmation if the purchase and rezoning of the land for the new plant was vetted by the community and the GM said yes. Comm. Sanchez said Sen. Ridgell has been oversight for 9 mos. now. He asked GM Benavente if he ever offered the Commission or GPA or the public any alternatives to management's plans. GM Benavente said no.

Comm. Limtiaco said that the CCU have been going on 4 days now discussing the ECA; he asked the GM who owns this power plant and the GM responded Korea East West Power Company owns it. Comm. Limtiaco asked if they are required to insure it. The GM said yes and they need to put in at least a 20% equity. Comm. Limtiaco asked if it explodes due to negligence is GPA liable and the GM said no. The GM said throughout this who BOT journey there are many penalties that could be imposed to KEPCO; Comm. Limtiaco asked if they are insured and if they don't perform for whatever reason - what would the cost be for GPA to buy the plant if worst case scenario and we had to hire someone else. The GM said it would cost the balance of the bank note or 120Million. Comm. Limitaco was alluding to Sen. Ridgell's concerns about the cost of the plant and what he needs to know is that the contractor takes on all the responsibility and the this should be pointed out.

Comm. Sanchez said this contract protects the ratepayer for any failures.

Comm. Santos shared that in 2017 KEPCO asset value is 181Trillion; sales volume 507Billion; KEWP is one of 16 subsidiaries. KEPCO is also owned by the Korean government

Comm. Sanchez added that there seems to be a lot of companies around the world that believes this company KEPCO is viable. Comm. Sanchez asked how many ECA's has GPA done through the years and the GM said MEC, TEMES and PRUVIENT - this one would be #4. Comm. Sanchez asked how many IPP and the response was (3) - DanDan, 60MG KEPCO, 60MG Hanwha

Comm. Sanchez commented that since 1996 we have successfully initiated and entered into ECA's for 23 years of experience in doing IPP's or ECA's.

Comm. Guthertz said she would like to hear from the GM - looking at this contract besides saving to ratepayers how does this contract impact the island? GM Benavente said – 1) USEPA and the penalties that GPA will incur without the plant 2) load growth this plant will help relieve the older aging machines [by 2023 GPA will not be able to handle growth without this plant] 3).reliability and 4) renewables If we don't build this plant it will be an issue with reliability and growing our renewable portfolio to reach legislative mandates. It was mentioned that they don't want the youth and inexperience of the oversight chair to block something that can help save ratepayers; grandstanding; no background on energy and he even admits it. Comm. Guthertz said that with this new plant we can feel comfortable welcoming investors;

Comm. Sanchez said he has reviewed the ECA and all the changes that CCU wanted incorporated is in there and recommends that CCU review the resolution.

Comm. Duenas said every page of the ECA must have an initial block at the bottom as suggested by Comm. Santos.

Comm. Sanchez motioned to approve Resolution 2019-13 relative to approving ECA, second by Comm. Santos.

The Commissioners proceeded to review each whereas in the resolution

Comm. Duenas noted for the record that this is the largest procurement with no procurement protest and said this is an accomplishment.

On motion the vote was 5-ayes and the Resolution passed unanimously

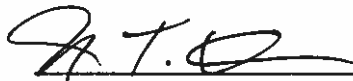
## 6. ADJOURNMENT

There being no other business to bring before the Commission, the meeting adjourned at 8:41 p.m.

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Attested:

  
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JOSEPH T. DUENAS, Chairman

  
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MICHAEL T. LIMTIACO Secretary