



CONSOLIDATED COMMISSION ON UTILITIES

Guam Power Authority | Guam Waterworks Authority

P.O. Box 2977 Hagatna, Guam 96932 | (671) 648-3002 | guamccu.org

GUAM WATERWORKS AUTHORITY WORK SESSION

CCU Conference Room

4:30 p.m., Tues., June 16, 2020

MINUTES

1. CALL TO ORDER

The CCU Chairman called the May 21, 2020 Guam Power Authority Work Session to order at 4:30 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 Chair
Michael T. Limtiaco	CCU Secretary
Judith P. Guthertz	CCU Treasurer
Simon A. Sanchez	Commissioner

Executive Mgmt.:

Miguel Bordallo	GM / WPA
Chris Budasi	AGMA / GWA
Taling Taitano	CFO / GWA
Kelly Clark	Legal Counsel / GAW

Management & Staff:

Gilda Mafnas	Asst. CFO / GWA
John Dixon	IT Support / GWA
Lou Sablan	Board Secretary / CCU, GPA, GWA

2. ISSUES FOR DECISION

2.1 Relative to Approval of Amendment for the Indefinite Delivery/Indefinite Quantity Professional Project/Construction Management Services Contract / Resolution No. 28-FY2020

GWA currently has an IDIQ contract with Brown and Caldwell. The task 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 has been finalized and the IDIQ was amended according to Resolution No. 21-FY2020. Resolution No. 21-FY2020 included a contingency for the PUC-required Cost of Service / Rate Design Study (COS/RDS) that was not included in the total contract amount.

At this time, continuing work on three on-going tasks under the IDIQ will extend beyond the current Task Order completion date. These projects have been delayed due to a number of factors including, right-of-way acquisition, wetland delineation and permits, construction constraints, reduction in working hours

per DPW permit requirements, and numerous existing buried utilities interfering with trenching activities. Hence, the Task Orders must be amended and an accompanying amendment to the IDIQ contract is required.

In addition, GWA is moving forward with the second phase of the Rt.1 Sewer Rehabilitation project from Adelup to Hagatna and plans to continue using project and construction management services under the IDIQ for this phase. This additional scope of work must be added to the Task Order for Rt.1 by Change Order following authorization by this Resolution.

The three Task Orders are for project and contract management for the Rt.4 Relief Sewer Rehabilitation project (TO#2), the Rt.1 Sewer Rehabilitation project (TO#3), and the SSES Phase 2 project (TO#4). All three of these efforts are necessary and critical to complete sewer improvements serving three areas.

The amendment is associated with water and wastewater system improvements on Rt.4 in Hagatna, Rt.1 between Asan and Adelup, and at the Hyundai Subdivision in Santa Rita.

The current authorized contract amount is \$1,294,485.00, which includes:

- Task Order 1 for the CER (\$274,555.00, as amended, 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)
- Anticipated task order to complete the COS/RDS (\$458,420.00)

It is the intent that this resolution would approve increasing the total contract amount to \$1,742,860.00 for:

- Additional work on the Rt.4 Task Order for an additional \$48,959.00
- Additional work on the Rt.1 Task Order for an additional \$266,270.00
- Additional work on the SSES Task Order for an additional \$87,304.00
- Addition of the \$45,842.00 contingency (approved in 21-FY2020 resolution for the COS/RDS) to the total contract amount.

The resolution approval also would authorize GWA management to execute change orders as needed up to the maximum authorized contract amount. The funding source for the Rt.4, Rt.1, and SSES projects is EPA SRF grant funds.

The CER is complete. The COS/RDS will be completed prior to March 31, 2021.

The Rt.4 project completion date is anticipated to be September 30, 2020, with the and Gn Bordallo intersection of Rt. 4 and East O'Brien Drive anticipated to be open by the end of July 2020.

The Rt.1 project completion date is anticipated to be December 31, 2021.

The SSES project completion date is anticipated to be December 31, 2020.

Comm. Sanchez asked of the construction management cost increased yes and GM Bordallo said yes. Comm. Guthertz asked why was more time needed? Management said the-contractor ran into delays with the areas between the 2 manholes plus there was a delay with the DPW permitting.

Comm. Limtiaco asked if the delay is excusable? GM Bordallo said there was one specific issue where construction delay applies and GWA will file a claim which will be adjusted at the end of the project.

2.2 Relative to Approving the Guam Waterworks Authority's "2020-2024 Capital Improvement Plan (CIP) Supplement" / Resolution No. 29-FY2020

The objective of "2020-2024 Capital Improvements Plan (CIP) Supplement" is to present to the CCU the updated funding allotments within the CIP given GWA was able to obtain additional 2020 bond proceeds in the amount of Fourteen Million Six Hundred Sixty-Four Thousand Two Hundred Sixty-Eight Dollars and Sixty-Five Cents (\$14,664,268.65). The additional funding was spread in various CIP line items that are intended to address non-revenue water loss, reduction in sanitary sewer overflows, remaining USEPA Court Order project, projects that address pending USEPA consent decree requirements and general GWA facility improvements.

The additional funding allotments are intended for water and wastewater projects throughout the island. The cost is Fourteen Million Six Hundred Sixty-Four Thousand Two Hundred Sixty-Eight Dollars and Sixty-Five Cents (\$14,664,268.65).

Comm. Duenas said the bond sale was very good for GWA; it was oversold by 22 times
Comm. Santos asked what is \$1.2M in information technology? GM Bordallo said it was for the infrastructure improvements and permanent disaster recovery center.

GM Bordallo said the overall numbers will align with the master plan.

2.3 Relative to GPA and GWA to Offering Payment Plans for Customers Experiencing Financial Hardship During the Coronavirus (COVID-19) State of Emergency / Resolution 30-FY2020 (GPA Resolution No. 2020-16)

The coronavirus (COVID-19) pandemic was declared a national emergency by the President of the United States on March 14, 2020 and declared as a State of Emergency by the Governor of Guam on the same day.

In order to contain the virus and limit its transmission, all businesses and non-essential government agencies were closed except for critical infrastructure and essential operations such as healthcare operations, utilities, grocery stores, gas stations and hardware stores during the COVID-19 emergency period.

The Guam Power Authority (GPA) and Guam Waterworks Authority (GWA) responded to the COVID-19 emergency by suspending non-payment disconnections to protect the health and safety of customers and assist those suffering economic hardship due to job loss or reduced or lost business.

As of June 8, 2020, 1342 businesses have reported 24,739 employees have been laid off, furloughed or had their work hours reduced as a direct result of the COVID-19 pandemic. The Small Business Administration reported on May 30, 2020 that 1950 businesses impacted by the COVID-19 pandemic have received more than \$191 Million in Paycheck Protection Program forgivable low-interest loans to retain workers, maintain payroll, and cover certain other existing overhead costs.

At the May 2020 GWA work session, the CCU expressed the desire to keep utility payments affordable for customers and maintain continuity of utility services by allowing extended payment plans to customers with outstanding amounts owed due to the hardship caused by the COVID-19 pandemic.

In joint coordination, GPA and GWA General Managers extended the suspension of non-payment disconnections through June 30, 2020 to allow time for customers to receive assistance from federal and local economic relief programs.

Using the guidance of the CCU to respond to the needs of ratepayers, the utilities are proposing to offer up to twelve (12) month payment plans, as necessary, to residential customers in need for unpaid bills to offer business customers a payment plan option up to 12-months, on a case by case basis after evaluating their ability to remain current with future bills and pay outstanding amounts owed; and,

The COVID-19 Relief Programs will be administered by Customer Service Representatives from all GPWA Lobby Locations and Call Centers. The estimated cost of advertising and promotion of the COVID-19 Relief Programs is \$5,000. COVID-19 Relief Programs will end on June 30, 2021.

MB asked AGMA Chris to elaborate on this issue / project. GWA/GPA will have similar payment plan program

AGMA Budasi said GWA will restart disconnections on July 1. Public Awareness will be released a week in advance and will apply to commercial customers as well on a case by case basis

Comm. Duenas said there are many ratepayers that were affected. His observation is that water bill being \$60-\$100 it will be manageable. He commended management regarding the overall plan.

Comm. Sanchez said larger water customers like hotels will have a harder time especially with the current low visitor industry. He is happy with the decision making process of the payment plan. He asked if the 6-month policy is through the triple A process and GM Bordallo said it is GWA's policy.

AGMA Budasi said management has not made a formal announcement that payment plans must be in effect by June 30 adding that the plan is to initiate publicity thru email blasts and social media.

Comm. Limtiaco agreed that doing this will positively address the situation.

Comm. Sanchez mentioned another option is to have a press release and social media that management has approached the Commission this payment plan program; send this out immediately

Comm. Guthertz to approve GWA Resolution 30-FY2020 and GPA Resolution 2020-16, second by Comm. Sanchez. The vote was unanimous

2.4 Relative to Approval of the 2010, 2013 and 2016 Bond Proceeds Reallocation / Resolution 31-FY2020
This matter was tabled.

3. GM REPORT

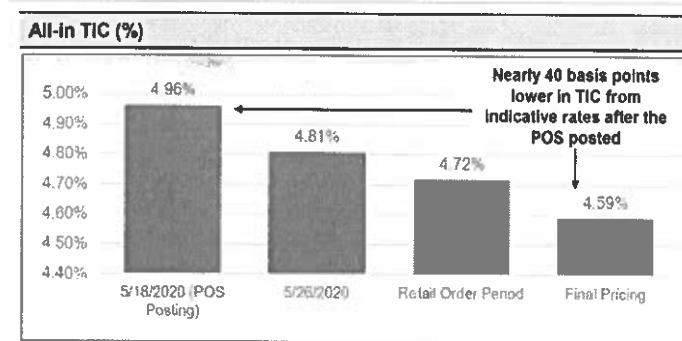
3.1 GM Summary

GM Bordallo provided his usual GM Report gave an update regarding GWA's bond sale

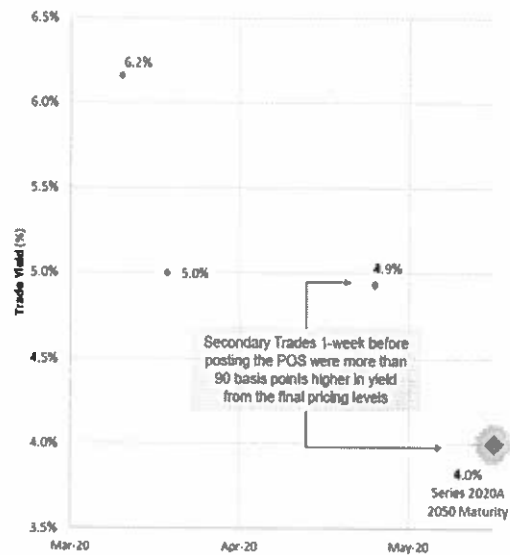
Management Update

- **Series 2020A Bonds – Transaction Summary**
 - Par Amount: \$134,000,000
 - Final Maturity: January 1, 2050
 - Ratings:
 - Standard & Poors: A- (Stable)
 - Moody's: Baa2 (Negative Outlook)
 - Construction Fund Deposit: \$123,590,268.95
 - Cost of Issuance: 1.48% of Par
 - Sale Date: May 28, 2020
 - Closing Date: June 4, 2020
- **Market Conditions**
 - COVID-19 pandemic closed the municipal bond market for several weeks
 - April saw signs of market stabilization, but all issuances were "AA" rated credits or higher
 - Limited new issue supply in credits rated below the "A" category, but Citi worked with GWA/GEDA/BBMR to pursue pricing at end of May
- **Pricing Results**
 - Early EMMA announcement allowed pre-POS marketing coordination
 - Extensive marketing: roadshow presentation, 14 one-on-one investor calls after POS posted
 - Strong demand during pricing with \$2.9 Billion in orders, 22x oversubscribed
 - Final rates lowered nearly 100 basis points from most recent secondary market trade
 - 4.0% Yield to the 10-year call date
 - All-in TIC of 4.59% was second lowest TIC ever for GWA new money issuance
- **Highlights**
 - Nearly 70 investors placed \$2.9B in orders, including several for full \$134M in par
 - 85% success rate on marketing efforts with 12 of 14 investors placing orders
 - \$15M additional deposit to Construction Fund over initial estimates

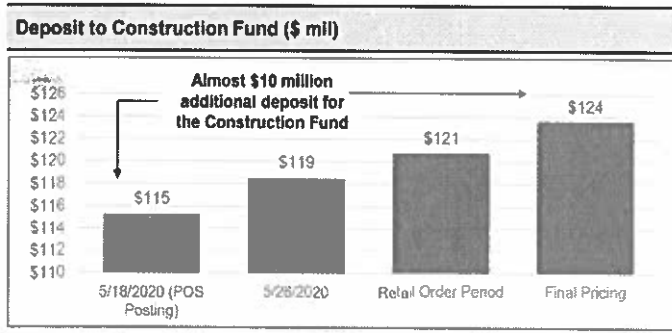
As a result of the financing team's significant investor outreach efforts, GWA was able to lower rates by 40 basis points and add nearly \$10 million to the construction fund



GWA Secondary Market Trading¹ vs. Primary Market Pricing



¹ Source: EMMI, Trades >\$1 million. Secondary trades are GWA Series 2016 Bonds, 5.0% 2048 maturity, call date 7/1/28



4. ISSUES FOR DISCUSSION - None

5. OTHER DISCUSSION

5.1 CCU Rules – not discussed.

6. DIVISION REPORTS

Some division reports were provided but not discussed.

- 6.1 Communications
- 6.2 Compliance & Safety
- 6.3 Customer Service
- 6.4 Engineering
- 6.5 Finance
- 6.6 Operations

7. ANNOUNCEMENTS

7.1 Next CCU Meetings

The Chairman announced that the next CCU meeting would be a work session for GPA on June 18 and the regular CCU meeting on June 23.

8. ADJOURNMENT

There being no other business to bring before the Commission, Comm. Sanchez motioned to adjourn the meeting second by Comm. Guthertz. There was no objection or discussion and the meeting adjourned at 5:48 p.m.

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Attested


JOSEPH T. DUENAS, Chairman


MICHAEL T. LIMTIACO Secretary