



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
5:30 p.m., Tuesday, July 27, 2021

MINUTES

1. CALL TO ORDER

The CCU Chairman called the July 27, 2021 CCU Regular Meeting to order at 5:30 p.m. He said four [4] Commissioners were present for a quorum and that Comm. Santos off-island and excused. Others in attendance include:

Commissioners:

Joseph T. Duenas	CCU Chairman
Michael T. Limtiaco	CCU Secretary
Simon A. Sanchez	Commissioner
Peter Roy Martinez	Commissioner

Executive Mgmt.:

John Benavente	GM / GPA
Miguel Bordallo	GM / GWA
Melinda Mafnas	AGMO / GPA
Tricee Limtiaco	AGMA / GPA
Chris Budasi	AGMA / GWA
John J. Cruz	AGMET / GPA – Online
John Kim	CFO / GPA
Taling Taitano	CFO / GWA
Graham Botha	Legal Counsel / GPA

Management & Staff:

Vien Wong	IT Support / GPA
Vlad Navasca	IT Support / GPA
Patti Diego	Communications / GPA – Online
Heidi Ballendorf	Communications / GWA
Vangie Lujan	Compliance & Safety / GWA
Ann Borja-Gallarde	Management Analyst IV / GWA Ex. Office
Joyce Sayama	Management Analyst / GPA Ex. Office
Lou Sablan	Board Secretary / CCU

Guest:

Annamarie Muna	AM Insurance
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Tricia Granillo	AM Insurance
Jeff Johnson	PUC Commissioner
PNC News	Online
Steve Limtiaco	PDN - Online

2. APPROVAL OF MINUTES

The Minutes of May 25, 2021 was presented for approval.

Comm. Limtiaco motioned to approve the Minutes subject to verification and written correction, second by Comm. Martinez. There was no other discussion or objection and the motion passed 4 ayes / 1 absent.

3. PUBLIC COMMENTS

Mae and John Flores addressed a problem with their water meters that has been happening for 6 years. They requested that four water meters for their property Lot 10061-11-R3, Tracat 143 in Dededo be relocated to within the confines of their property. The water meter is currently located alongside a narrow strip of road leading to their property where vehicles and dump trucks drive often causing damage to the meters and piping. In Feb/Mar 2020 GWA moved the four water meters 21 feet from its original location and was advised by GWA to hire a certified plumber to complete the relocation at their own expense. The estimated cost for the completion of the relocation is \$53,000 and the Flores' said they cannot afford to complete the relocation. They are addressing the situation today in hopes that the Commission will assist with an alternative plan to resolve the problem.

GM Miguel Bordallo referenced GWA's service rules and regulations that require charges such as this to be borne by the customer. Field verification was done and the rules and regs do apply in this case. The GM did advise Mr. Flores that GWA could do the work to relocate the meters and only charge him at cost price with payment in installments but he did not agree. Subsequently, the meters were relocated to prevent the kind of damage that Mr. Flores was complaining about but is still near the right of way and placed closest to edge and off the pavement on the grass.

Comm. Duenas reiterated to Mr. Flores that according to the GM, GWA has address the complaint of meters being damaged.

Mr. Flores said there are other customers in the area with the same problem and they confirmed with him that their meters were moved by GWA and there was no related cost for the relocation. He said this happened in 2018 and he has photos as proof. His neighbors confirmed to him that GWA did not charge them for the relocation. GM Bordallo said that if Mr. Flores has any documentation regarding this matter to please provide it to him so GWA Internal Auditor can do an investigation. Mr. Flores confirmed that yes he had documentation and will provide it to Ms. Ann Borja.

Comm. Limtiaco said aside from concern relative to damage to pipes what advantage is it to get the pipes closer to the customer's house. The Flores's responded that should there be a leak between the meter and the house it could be very costly to repair being the meter is 300 ft. away.

GM Bordallo said that if GWA's line replacement program is in the vicinity of Mr. Flores' property that GWA could possibly do something during the upgrade but he does not know if the area coincides with any replacement program in the immediate future adding it could be possibly 2-3 years and asked Mr. Flores if he could wait that long.

Comm. Duenas said he would talk with GM Bordallo to look at what can be done, if anything, and would get back to Mr. or Mrs. Flores.

4. GWA

4.1 GM Report – Not discussed.

4.2 Financials – Npt discussed.

4.3 Resolution 24-FY2021 Relative to Amendment Indefinite Delivery / Indefinite Quantity Professional Utility Mgmt and Financial Consulting Services Contract

GWA Docket 19-08 FY20 Rate Decision required seven analytical studies to inform a Comprehensive Review and Update (CR&U) of GWA's Five-Year Financial Plan prior to FY2022. GWA awarded the Galardi-Rothstein Group an indefinite delivery, indefinite quantity utility management and financial consulting services contract in response to RFP 2020-01. Services include the preparation of the Demand Forecasting, Capital Financing, and Affordability / Rate Design studies, the preparation of the Rate Application Model, and related financial consulting program management services.

In view of the Guam Public Utilities Commission (PUC) consultant's response to the submission of the studies, rate application model, and the updated financial plan, it has become apparent that significant additional hours will be necessary to respond to the PUC consultant's analysis and ensure that the PUC issues a decision and order prior to the start of FY2022. The additional work required to ensure GWA is appropriately responsive to the PUC's consultants in the adjudication of the CR&U will bring the total cost of the work above the General Manager's procurement authority. The objective is to authorize the additional work necessary to complete the adjudication of the docket prior to October 1, 2021.

It is urgent and necessary for the PUC to act timely in this matter to ensure GWA is able to obtain the needed rate relief to continue operations, maintain our debt service coverage, and move forward with planned system improvements as we recover from the effects of the Pandemic.

Additionally, support related to the initiation of the alternative capital financing and affordability program options identified in the analytical studies will be needed if approved by the PUC. This will likely include the establishment of a tax-exempt commercial paper program as well as customer assistance programs; most of the work should occur by the first quarter of CY2021.

The contract is associated with CR&U of the Five-Year Financial Plan, recommended alternative capital financing and affordability program options as proposed in the analytical studies, and resultant PUC rate order that will impact GWA operations as a whole.

Comm. Sanchez inquired when this expense is converted to regular assets is it amortized over time, the GM said GWA anticipates that this amount of time will be established with the rate orders.

Comm. Sanchez motioned to approve Resolution 24-FY2021, second by Comm. Martinez.

Comm. Limtiaco inquired re objectives PUC consultant response re additional funding did this come about due to PUC review of these deliverables and the GM said yes. There were several workshops that were requested and the consultants had to be brought in for this.

On the motion there was no further discussion and the notion passed 4 ayes / 1 absent.

The GM reminder the Commission of the One Guam Presentation at 9 a.m. Thursday, 7/29 - presentation will take 90 minutes

5. GPA

5.1 GM Report – Not discussed.

5.2 Financials – Not discussed.

5.3 Resolution 2021-16 Approval Re New Checking Account with Bank of Guam for GPA's Energy Sense (DSM) Program

Several attempts to pass fraudulent checks under the checking account for the Energy Sense Fund were intercepted and identified. These fraudulent checks totaled more than \$56,000. The applications for the Energy Sense Rebate Program has averaged 600 submissions per month in fiscal year 2021.

The Bank of Guam is now manually reviewing all checks clearing through this account on a daily basis. In light of the seriousness of this fraudulent activity and the number of rebates applications received, the Bank of Guam has recommended that GPA close the current account and open a new checking account in order to prevent the current perpetrators from continuing their fraudulent activities against this account.

As a result of this fraudulent activity, GPA has enrolled the two disbursement accounts with Bank of Guam's Positive Pay program. The initial fee was \$100 for both of the accounts and a recurring fee of \$25 per month per account for the service. Once the new account is established, it will be covered by this program.

Comm. Sanchez motioned to pass Resolution 2021-10, second by Comm. Limtiaco

In discussion Comm. Sanchez asked if GPA was out of any money and CFO Kim said that the bank caught the transaction before any loss. GPA was reversed about \$50,000.

Comm. Limtiaco asked what was nature the nature of the fraudulent checks asking if it was GPA checks or manufactured checks. CFO Kim said the bank said a check was created using GPA's account number.

Comm. Duenas said this resolution will create a separate acct just for DSM; CFO Kim confirmed yes.

Comm. Limtiaco asked if this account related to GPA's main account and CFO Kim said no that this was strictly for the Deman Side Management account.

Comm. Martinez asked of this account is still active and Comm. Kim said yes until all outstanding checks have cleared.

On the motion the vote was 4 ayes / 1 absent and Resolution 2021-18 passed.

5.4 Resolution 2021-17 Approval for Change Order on Tank 1935 Out of Service Inspection and Recertification

The project involves the internal inspection and refurbishment of the bulk storage fuel tanks and appurtenances. The tanks need to undergo the required internal inspection to comply with regulatory requirements and refurbish as necessary to ensure the structural integrity and safe operations of the tanks. The project also includes upgrading of the facility's auxiliary system to assure uninterrupted supply of fuel for the power plants. The last inspection was conducted in 2007. Inspections are required to be performed every ten (10) years. During the tank draining more sludge than anticipated was discovered.

This change order is for Tank 1935, which originally was used to store HSFO. The tank is located at GPA's Fuel Tank Farm in Piti.

It was mentioned that the cost would be \$10,742,720.65 per the following breakdown:

A	1935 Current Tank Content	3,148	barrels
B	Assumed 70.05% of Tank Content is Sludge	2,220	barrels
C	Previously Approved Contract for Sludge Disposal	701	barrels
	B - C	1,519	barrels
	Disposal Costs @ \$790/barrel	X \$790.00	
	Change Order Cost	\$1,200,010.00	
	Previously Approved Contract Cost	\$9,542,710.06	
		\$10,742,720.56	

Tank 1935 Sludge Removal, Inspection, Repairs, Sandblasting and Painting is anticipated to be completed by December 2021. Revenue funds will be utilized for this change order amount.

Comm. Martinez motioned to approve Resolution 2021-17, second by Comm. Limtiaco there was no further discussion or objection and the motion passed 4 ayes, 1 absent.

5.5 Resolution 2021-18 ULSD Storage Agreement – Amendment 2 (Tank 1907 lease)

For the purpose of ensuring adequate inventory of ULSD to meet the supply requirements of the Piti 8 &9 and the Ukudu plants, GPA intends to lease an additional storage tank of 196,000-barrels capacity from Tristar Terminals Guam, Inc (hereinafter referred to as "TTGI"). The tank storage location is in Agat.

GPA is seeking the approval of the CCU for the lease of the additional 196,000-barrel capacity storage tank, for an annual cost of approximately \$1,764,000 for the first year, and \$1,176,000 annually for the extension years, excluding handling and throughput fees. The funding source for this expense is revenue funds.

Comm. Martinez motioned to approve Resolution 2021-18, second by Comm. Limtiaco. There was no further discussion or objection and the motion passed 3 ayes and 2 absent.

For the record Comm. Sanchez left the meeting before the vote.

5.6 Resolution 2021-19 RFO Supply Contract – Amendment 1 (0.2%ULSFO)

GPA entered into a contract under GPA-050-20, for the Supply of Residual Fuel Oil No.6 with Hyundai Corporation (hereinafter referred to as the "Contractor"). The term of the contract is for an initial period of three (3) consecutive years to commence on September 01, 2020 and to expire in August 31, 2023, with option to extend for 2 additional years. The fuel grades to be supplied under the contract consist of the Low Sulfur Fuel Oil ("LSFO") with a sulfur limit of 1.19% by weight and High Sulfur Fuel Oil ("HSFO") with a sulfur content limit of 2.00% by weight, respectively.

The Consent Decree between GPA and USEPA requires GPA to substitute the LSFO and HSFO and transition to Ultra-Low Sulfur Fuel Oil ("ULSFO") with a sulfur limit of 0.2% by weight, no later than December 31, 2022.

The estimated Fixed Premium Fee cost for the 0.2% ULSFO based on the estimated commodity price and annual supply quantity of 1,500,000 barrels (235,849 metric tons) has a value of approximately \$18,632,075 per year.

The estimated contract unit cost for the 0.2% ULSFO based on the estimated commodity price of \$80.710 per barrel (or \$601.290 per metric ton @ 7.45 bbl/MT) plus the Fixed Premium Fee of \$79.000 per metric ton is equivalent to \$680.290 per metric ton.

The estimated annual contract cost based on the estimated annual supply quantity has a value of approximately \$160,445,636 per year.

Comm. Martinez motioned to approve Resolution 2021-19, second by Comm. Limtiaco. There was no further discussion or objection and the motion passed 3 ayes, 2 absent.

5.7 Resolution 2021-20 Proposed Amendment of Consent Decree between GPA and USEPA

The U.S. Environmental Protection Agency (USEPA) filed a complaint against GPA alleging violations of the Clean Air Act (“CAA”), and on April 20, 2020, the Court entered a negotiated Consent Decree to resolve the alleged violations of the CAA. The COVID-19 pandemic has adversely impacted GPA’s ability to timely fulfill some of the Consent Decree compliance requirements. The pandemic’s impacts, which include the government of Guam’s quarantine requirements and travel restrictions, have also impacted GPA’s energy partners in Asia and hindered Guam’s administrative operations, including the permitting and historic preservation work needed to fulfill the Consent Decree requirements.

The State Implementation Plan (“SIP”) requires GPA to be in compliance by April 2023 by switching to a lower sulfur fuel, and in order to reach attainment with federal standards for sulfur dioxide emissions, GPA has agreed to transition to a fuel that is “cleaner” than the fuel required under the existing Consent Decree. Specifically, GPA has agreed to transition to a fuel with sulfur content of no greater than 0.2% to power Cabras Units 1 and 2 until their retirement. This will substantially reduce emissions as compared to the low sulfur residual fuel oil (“RFO”) allowed by the Consent Decree.

The parties have agreed to certain modifications of the Consent Decree, most of which pertain to the schedules for implementing the injunctive relief required by the Decree.

In addition to CCU approval, the amendment to the Consent Decree must be authorized by the Assistant Attorney General for the Environment and Natural Resources Division of the Department of Justice. Once the Department of Justice (DOJ) files the amendment to the consent decree with the United States District Court of Guam, a public notice will be published in the Federal Register, after which the public will have 30 days in which to submit comments. After the close of the public comment period, the DOJ, in coordination with EPA, will respond to any comments submitted and request that the Court approve the amendment to the Consent Decree as an order of the court.

Comm. Sanchez motioned to approve Resolution 2021-20, second by Comm. Martinez. There was no further discussion or objection and the motion passed. The vote was 4 ayes and 1 absent.

5.8 Resolution 2021-21 Authorization to Request Exemption of Cabras Diesel Plant from Public Law 22-023, Section 5, Prohibiting Generators within 1,500’ of a school.

The U.S. Environmental Protection Agency (USEPA) filed a complaint against GPA alleging violations of the Clean Air Act (“CAA”), and on April 20, 2020, the Court entered the Consent Decree to resolve the alleged violations of the CAA. The Consent Decree requires Guam Power Authority (“GPA”) to construct the Ukudu power plant and associated 41MW diesel units by April 30, 2024. The diesel units were required to be relocated to the Cabras industrial on Lot 261 to ensure that the Ukudu power plant could be constructed using a minor source permit. The proposed construction area on Lot 261 is within 1200 feet of Jose Rios School. The new 41MW diesel plant is for emergency/peaking use, and will use clean burning ULSD. This site is within the Cabras industrial area, and was deeded to GPA by the US Navy in March 1976 for operation of fuel oil storage and a steam power plant. An exemption is needed for the construction on Lot 261, as §8119, Title 12, Guam Code Annotated, provides that “no power generation facility, with a capacity in excess of one (1) megawatt and utilizing fossil fuels, may be constructed within one thousand five-hundred feet (1,500’) of a school.” In order for construction to proceed on Lot 261, an exemption is needed from the Guam Legislature. GPA has prepared a proposed bill that would grant an exemption from the provisions of §8119 for the construction of the 41MW diesel units burning ULSD on Lot 261.

Comm. Martinez motioned to pass Resolution 2021-21, second by Comm. Limtiaco.

Comm. Limtiaco asked the GM if legislation is warranted or not and the GM said that is correct but GPA but this has been brought up in the past and in order to circumvent any glitches he would like to stay ahead of the game with clean fuel and compliance. His intent is to be proactive and not give KEPCO or any other party to delay the power plant.

Comm. Duenas said that per the map Cabras 8&9 is within the 1500' and the GM concurred.

Relative to the proposed legislation Comm. Limtiaco made recommendation to amend the legislative findings that by doing this the net emissions will go down when Cabas 1&2 is shut down to plead GPA's case. The GM said he will consider all the comments provided and expand the proposed legislation accordingly. The Chairman said more research has to be completed to ensure that the lot numbers referenced are accurate. The legislative findings must be beefed up. The Chairman asked that the revised legislative findings be reviewed by the Commission.

On the motion there was no further discussion or objection and the motion passed 3 ayes, 2 absent.

There was discussion on the GDOE/GPA Memorandum of Agreement. Comm. Limtiaco asked clarification about the scope of work and if the help is only on the energy side. The GM said that the scope involves a gamut of different things adding that GPA to include engineering assistance and capital investment needs to assist the Superintendent.

Comm. Limtiaco commented that he thinks he is missing something and didn't realize that the scope was in depth. There was discussion about costs and the GM said this factor will be included in the agreement. Comm. Limtiaco asked how GPA benefits in this. The GM said that for so long GPA has always been badgered about not helping the schools being more energy efficient and to help put the schools achieve energy efficiency. GPA is volunteering and this is the GM's proposal to help GDOE succeed. The GM said if we are going to do this, it has to be done right. If the Commission concurs the GM will develop the Memorandum of Agreement.

The Chairman said that GDOE has to take the lead and tell GPA what their priorities are, they need to hire their own engineers and other needed professionals. The Chairman said we are trying to assist then because we have some expertise but they need to reimburse GPA any related costs and GDOE has to take the lead. The Chairman said that he does not want the work with GDOE to impeded GPA and GWA's service to the ratepayers. He said he supports this effort because we want GDOE to become more energy efficient and cut waste. Comm. Limtiaco said the GM has a lot on his plate with the Okudo power plant. The GM said that is true but he is saying this is not an issue; he would never jeopardize GPA.

6 OTHER DISCUSSION

6.1 CCU Rules Update – No discussion

7 ANNOUNCEMENTS

7.1 Next CCU Meetings

The next meeting for the Commission is the GWA Work Session on August 17th; GPA Work Session on August 19th and the Regular August CCU Meeting on the 24th.

8 ADJOURNMENT

There being no other business to bring before the Commission the meeting adjourned at 7:34 p.m.

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Attested



JOSEPH T. DUENAS, Chairman



MICHAEL T. LIMTIACO, Secretary