



Regular Board Meeting
CCU Conference Room, Gloria B. Nelson Public Service Building
5:30 p.m., Tuesday, September 27, 2022

MINUTES

1. CALL TO ORDER

The Chairman called the regular board meeting to order at 5:40pm. He indicated that there will be action items to be presented from both the Guam Power Authority (GPA) and Guam Waterworks Authority (GWA). He announced for the record that all Commissioners were present for a quorum, Commissioners Limtiaco, Martinez, Sanchez and himself; with the exception of one vacancy. He verified that there were no public comments on-line or signed in, Candice confirmed. He stated that there will be no approval of minutes at this meeting due to the Board Secretary being off-island.

Commissioners:

Joseph T. Duenas	Chairman
Michael Limtiaco	Vice Chairman
Pedro Roy Martinez	Secretary
Simon A. Sanchez	Commissioner

Executive Management:

GPA:

John Benavente, GM
 Graham Botha, Legal Counsel
 Tricee Limtiaco, AGMA
 John Cruz, AGMETS (Online)
 Melinda Mafnas, AGMO
 John Kim, CFO

GWA:

Miguel Bordallo, GM
 Therese Rojas, Legal Counsel
 Christopher Budasi, AGMAS
 Tom Cruz, AGMO
 Taling Taitano, CFO

Management and Staff:

GPA:

Joyce Sayama, Communications Manager
 Candice Ananich, MA III
 Reginald Diaz, MA III
 Vien Wong, IT
 Vlad Navasca, IT

GWA:

Evangeline Lujan, Compliance and Safety
 Ann Borja-Gallardes, MA IV

2. APPROVAL OF MINUTES

The review and approval of the regular board meeting minutes for August 23, 2022 is tabled to next month.

3. PUBLIC COMMENTS

No public comment was presented for this meeting.

4. GWA

4.1 GM Report

No updates were made to the GWA GM report.

Commissioner Sanchez shared that he is pleased with the Zoom discussion he attended, led by GM Miguel Bordallo and his advisory team on plans for addressing water loss, he stated that they've got a good program ready to be executed, he's impressed with the presentation and that they've done a great job working with EPA and grants. He congratulated Miguel and his team for successfully completing the Northern Wastewater Treatment Plant without additional costs to the rate payers. Water loss is a big focus and he's encouraged by the plans he's heard and that he'd like for GWA to share with rate payers how money is being used by identifying the improvements that have been made.

5:44pm Chairman called a 2min. recess due to a technical interference possibly affecting the live stream broadcast.

5:49pm Meeting resumed with the Chairman restating the purpose for the recess being to resolve technical interferences to ensure suitable public viewing, broadcast and recording, the meeting was resumed once the issue was fixed. He stated for the record that all Commissioners were still present, that no action was made during the recess and that the meeting will continue with GWA GM Miguel Bordallo still presenting.

4.2 Financial

No updates to financial report.

4.3 Relative to the Approval of the Engagement Letter for FY2022-FY2025 Audits / Resolution No. 31-FY2022

An annual audit of Guam Waterworks Authority's financial statement is required by a) public law 12 GCA Chapter 14 14113(c), b) the bond indenture, and c) federal grantors if more than \$750,000 in federal award funds are expended during a fiscal year.

An engagement letter is required by accounting and auditing standards between the auditor and client. The auditors require that the audit engagement letter be expressly authorized by the Consolidated Commission on Utilities.

RFP 2022-03 was issued on June 9, 2022. There was only one proposal received on July 14, 2022, in response to the RFP. A notice of conditional award was issued to Ernst & Young on August 8, 2022 and on August 17, 2022. Purchase Order 501580 OP was issued.

Mr. Miguel Bordallo, is requesting for an engagement letter for audit services to be signed by the Board to enter into an auditing agreement to satisfy the requirement of law to issue annual financial statements, this matter would normally not be brought before the board because the amount falls within the General Manager's threshold of authority, however, because the audit firm selected requires an engagement letter of authorization by the CCU this matter is being presented for approval today.

Motion to approve Resolution No. 31-FY2022 was made by Commissioner Pedro Roy Martinez, seconded by Commissioner Michael Limtiaco. **[Resolution passed - 4 Ayes, 0 Nays]**

4.4. Relative to Approval of the Guam Waterworks Authority FY2023 Budget / Resolution No. 32-FY2022

As required by the Public Utilities Commission (PUC) FY20 Rate Decision and Order on May 1, 2021 GWA submitted the Comprehensive Review and Update (CR&U) to GWA's Five Year Financial Plan for Fiscal Years FY20-FY24 to the PUC. That same Rate Decision and Order approved rate adjustments for FY20 through FY21. To date, no further action by PUC has been taken in response to GWA's request to implement a new rate design and rate schedule as submitted in May 2021 for the remaining fiscal periods FY22 through FY24.

In the absence of rate relief for FY22, management was required to adopt a "rollover" of the FY21 budget and tap into GWA's reserves to manage operational demands and financial risks to debt service coverage.

While the PUC has scheduled a hearing on the CR&U for September 22, 2022 management is prepared to implement an operating budget for FY23 in the event the PUC takes no further action before the start of the new fiscal year on October 1, 2022.

Management presented two (2) budgets, one for approval and the other for informational purposes.

1. The first being a budget request with no changes to rates or rate design:
 - a. Revenues remain flat with projections at \$103 million, plus an addition \$18 million from GWA's Rate Stabilization Fund (RSF) and the American Rescue Plan Act (ARPA) funds to increase total fund sources to about \$121 million.
 - b. Operating expenses are estimated at \$74 million, about 10% more than annualized FY22 plus a \$6 million increase in debt service payment from \$33 million to \$39 million.
 - c. Debt service coverage is projected at 1.3x
 - d. Reserves are essentially depleted.

2. The second presentation provides updated projections to the original CR&U assuming GWA's proposed rate design is implemented in FY23:
 - a. Revenues generated by the new rate design with a conservative customer growth of 1% for both water and wastewater is projected to generate a \$111 million plus ARPA funds and transfers of \$9.3 million from RSF for total fund sources of \$121 million,
 - b. Operating expenses are the same as Option 1 at \$74 million, plus debt service payments of \$39 million.
 - c. Debt service coverage with Option 2 remains at 1.3x
 - d. Use of reserves is reduced and prudent amount maintained

Authorization is required before the start of the new year on October 1, 2022 and end by September 30, 2023.

The funding source for both options will be generated by rates and transfers from the RSF and ARPA funds.

Mr. Bordallo presented the budget as proposed above, requesting approval for proposed FY2023 GWA budget prior to the upcoming fiscal year.

Chairman Duenas – clarified for the record that the information presented at this meeting should have been updated to reflect the new rate results. He further clarified that the version presented today has been broken down to reflect the new rates, GWA CFO, Ms. Taling Taitano confirmed.

Motion to approve Resolution No. 32-FY2022 FY was made by Commissioner Michael Limtiaco, seconded by Commissioner Peter Roy Martinez. **[Resolution passed, 4 Ayes, 0 Nays]**

4.5 Relative to Clarifying the GM's Contracting Approval Authority GWA Resolution 33-FY2022 / GPA Resolution FY2022-31

GWA and GPA joint resolution discussion started with GPA Legal Counsel, Mr. Graham Botha indicating that this action item was being presented to clarify both GPA and GWA General Manager's authority to approve change orders not to exceed 20% of the originally approved contract amount threshold.

Chairman Joey Duenas questioned whether the approval of this Resolution would cancel out GWA's normal practice of adding 10% contingency fund to their originally negotiated contract amount, that this merely changes the 10% to now allow for 20% authority over change orders to projects. Mr. Bordallo indicated that to his understanding, this makes the contingency allowance his agency usually allocates in line with what the PUC already does with the current review protocol of allowing for 20% contingency.

Commissioner Limtiaco asked if the 20% request is irrespective of the current million-dollar limit or 20% of the total project. Mr. Botha indicated that the request is 20% of the originally approved contract amount similar to what the PUC approves for.

Simon expressed his concern by the Board being excluded from decisions on project cost increases. He understands the smaller amounts; however, this resolution is not specific to that. His concern is that the governing Board needs to know the reason for increases. Mr. Benavente suggested a limit or cap be made on the amount; furthermore, that the Board can require both agencies to report back to the Board when changes need to be made, but that not having to go through the approval process will allow for more flexibility when minimal changes are needed.

Commissioner Limtiaco questioned both Legal Counsels as to whether this resolution is needed.

Mr. Botha explained that there is currently nothing that clarifies either GM's authority to approve change order and that is what is hoped to accomplish today.

Ms. Rojas explained that the PUC provides an automatic 20% contingency. GWA typically includes 10% contingencies over whatever amount approval is being requested for by the PUC; however, based on her experience with most recent contract reviews, when a petition has been filed, the PUC has denied that request and automatically applies their 20% allowance. This resolution does align with the PUC practice. Their practice is embedded within the contract review protocol making the 20% contingency automatic, no matter what amount is being asked.

Chairman Duenas asked GPA if it would make it easier if the Board were to approve a contract and allow for an approved contingency amount as it does now for GWA.

Mr. Bordallo stated that no matter what contingency the CCU approves, PUC protocol and practice approves only the basic contract amount because they're automatically providing a 20% allowance to avoid having to go back for further approval and this has worked for GWA. The only thing misaligned is that the PUC gives 20% contingency when GWA asks for 10%; therefore, it is his understanding that this resolution is to align the amount.

This resolution was not voted on and officially cancelled as it was deemed unnecessary.

5. GPA

5.1 GM Report

No updates were made to GPA GM report

5.2 Financial

No updates were made to the GPA Financial report

5.3. Approval of the Phase IV Renewable Acquisition Multistep Bid / Resolution FY2022-30

The execution of this project will contribute towards GPA's goal to meet the Renewable Portfolio Standards adopted under Guam Public Law 35-46 which requires 50% of GPA's net sales to come from Renewable Energy (RE) by 2035. Please see attached Renewable Portfolio Standards (RPS) Tracking Projection thru 2040.

According to this projection, the completion of Phase IV Renewable Acquisition will result in GPA having approximately 40% of net sales coming from RE production by 2026 giving ample time for GPA to continue building its renewable capacity to 50% by 2035. Without the Phase IV Renewable Resource Acquisition Project Completion, GPA anticipates that at years 2026 to 2029 only about 23% of net sales will be from RE production. Approximately 27% of net sales would still need to be served by RE in order for GPA to meet the 50% RPS. In this case, GPA would have to more than double its RE capacity in 2026 over nine years.

The exact project site will be determined by the winning proposal's proposed location.

The renewable energy resource shall be available for commercial operation within thirty-six (36) months from the contract execution. Below is a tentative bid milestone for the project. Please note that these dates will shift according to PUC's approval date of the solicitation documents for this project.

GPA intends to seek LEAC recovery for renewable energy contracts.

This request is to obtain authorization to proceed to petition approval bid documents before solicitation on the Phase IV Renewable Acquisition Multistep Bid, under procurement protocol PUC approval is needed.

Mr. Benavente requested for approval to proceed with the multi- step bid in accordance with procurement protocol for PUC approval. Mr. Benavente provided different scenarios and highlighted some goals for GPA's clean energy plan, that of the reduction of the use of barrels of oil to 1.9 million, clean emissions up to 99.9%, he shared that Piti 8 & 9 are now fully operating on Ultra Low Sulfur Diesel (ULSD), that only Cabras is burning residual oil but will be finishing that by the end of the week and will transition to 0.2% LSRFO; he shared that projected contracted

production costs are at \$0.1162 cents; he stated GPA will be at 40% renewables by 2026, together with the renewables, the future power plant will sustain rates and will not be significantly impacted by fuel oil price increases, because the more renewables are added, the less oil is burned.

Commissioner Sanchez requested that pages 191 and 192 be simplified so that rate payers can understand it better, those 2 pages demonstrate the different scenarios and how the rates are affected. He asked that it be translated in a way that the average rate payer can clearly see how this affects them and the reason why this is being done.

Motion to approve Resolution FY2022-30 was made by Commissioner Michael Limtiaco, seconded by Chairman Pedro Roy Martinez, with no objections. [Resolution passed - 4 ayes, 0 nays]

**5.4 Relative to Clarifying the GM's Contract Approval Authority / GPA Resolution FY 2022-31/
GWA Resolution 33-FY2022**

Relative to Clarifying the Obligating Authority for the General Managers of the Guam Power Authority and the Guam Waterworks Authority

The current obligating authority granted to the General Managers of GPA and GWA by the CCU is limited to \$1,000,000.00. The objective is to authorize the General Managers an increase in obligating authority to approve change orders which shall not exceed 20% of the originally approved contract amount.

Resolution has been cancelled as earlier discussed in this meeting.

6. OTHER DISCUSSION

None

7. ANNOUNCEMENTS

Next CCU Meetings:

GWA Work Session: Oct. 18

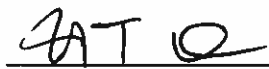
GPA Work Session: Oct. 20

CCU Regular Monthly Meeting: Oct. 25

8. ADJOURNMENT

Commissioner Michael Limtiaco made a motion to adjourn, the meeting adjourned at 7:37pm with no opposition.

Attested:



JOSEPH T. DUENAS, Chairman



PEDRO ROY MARTINEZ, Secretary

cma