



# CONSOLIDATED COMMISSION ON UTILITIES

Guam Power Authority | Guam Waterworks Authority

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

CCU Regular Board Meeting

CCU Conference Room, Gloria B. Nelson Public Service Building

5:30 p.m., Tuesday, January 24, 2023

## MINUTES

### 1. CALL TO ORDER

The Chairman called the regular board meeting to order at 5:34 p.m. He indicated that there are action items to be presented from both the Guam Power Authority (GPA) and Guam Waterworks Authority (GWA). He announced for the record that Commissioners present were Commissioners Santos, Limtiaco, Sanchez and himself, with the exception of Commissioner Martinez who is excused. He verified that there were no public comments on-line or signed in, Candice confirmed.

#### Commissioners:

Joseph T. Duenas, Chairman  
Francis Santos, Vice Chairman  
Michael Limtiaco, Commissioner  
Simon A. Sanchez, Commissioner

#### Executive Management:

##### GPA:

John Benavente, GM  
Tricee Limtiaco, AGMA  
John Cruz, AGMETS (Online)  
John Kim, CFO

##### GWA:

Miguel Bordallo, GM  
Theresa Rojas, Legal Counsel  
Christopher Budasi, AGMAS  
Tom Cruz, AGMO  
Mauryn McDonald, Senior Engineer (Online)  
Taling Taitano, CFO

#### Management and Staff:

##### GPA:

Joyce Sayama, Communications Manager  
Candice Ananich, MA III  
Reginald Diaz, MA III  
Selma Blas, Executive Office AO

##### GWA:

Evangeline Lujan, Compliance and Safety  
Ann Borja-Gallardes, MA IV  
John Dixon, IT  
Allen McDonald, IT  
Michael Schneip, HR  
Zina Pangelinan Charfauros, HR

#### ON-LINE ATTENDEES:

MEC - Rino Manzano  
GBS (Username)  
JWT (Username)  
Camacho Calvo Law Group LLC-Atty. Calvo  
Guam Legislature – Michael Carlson

### 2. APPROVAL OF MINUTES

There were no meeting minutes presented for review and approval at this time.

### 3. PUBLIC COMMENTS

There were no public comments made at this meeting.

### 4. GWA

4.1 GM Report – no updates from work session.

- 4.2 Financials – no updates from work session.
- 4.3 Resolution No. 08-FY2023 Relative to Amending the Guam Waterworks Authority’s Sewer Hookup Revolving Fund Loan Rules and Regulations

The May 2021 Cesspool and Septic Tank Elimination Study observed that the current rules and regulations have not been conducive to encouraging participation from GWA customers not currently hooked up to the public sewer lines. The study recommended the maximum loan amount is recommended to be increased to \$25,000 since construction costs have increased since the study was first conducted. Additionally, to reduce the time commitments invested by potential sewer customers, it is recommended that the requirement for two declined applications from a Guam bank to be reduced to one declined loan application, change the word “bank” to “financial institution”, and the requirement for three contractor estimates to be reduced to two contractor estimates. It is also recommended that the interest rate charged be tied to the USDA Home Loan interest rates, which are typically targeted at low and moderate-income families and are among the lowest rates charged. Updating the loan rules and regulations may make it easier for families to hook up to the public sewer system.

10 GCA Chapter 48 §48104 states that a building served by an adequate septic tank and leaching field facility has a maximum of five years to connect to the public sewer after the sewer becomes available. This Chapter was last amended by P.L. 17-87, which was last amended on January 18, 1985.

The Cesspool and Septic Tank Elimination Study includes the following program enhancements to encourage sewer system connections: public outreach; engineering consultation and assistance; owner/contractor construction permitting assistance/streamlining in areas involving a sewer main extension or where there are multiple sewer connections to be constructed; GWA may set up an Indefinite Delivery/Indefinite Quantity (ID/IQ) contract for sewer connection services to provide owners the option of conducting the sewer connection themselves or allowing GWA’s ID/IQ plumbing and design services contractor to complete the sewer connection, the owners will still be responsible for connection costs; licensed and qualified contractor lists will be obtained from the Guam Contractor’s Licensing Board and made available to connecting customers, and finally, the study recommends regulation changes to allow GWA to share GEPA’s authority to require sewer connections for buildings.

This program is available to residents on Guam. GWA is particularly targeting families in northern Guam who live near water wells. In particular, GWA is targeting families who live in areas where GWA will be expanding its sewer collection lines.

The Guam Legislature in the FY2023 Budget Act provided \$2 million for the revolving loan program. GWA is currently looking at grants from GHURA and USEPA to augment these funds. There will be some administrative costs related to the amendment of the rules as well as the promotion and continued implementation of the program. If necessary, GWA will follow the Administrative Adjudication Act to update these rules. Additionally, GWA will notify the PUC of the update. This process will likely take six months to a year to complete as it will require a public hearing and may require coordination via notices and filings, to include but not limited to, the Compiler of Laws, Legislature, and the PUC.

The initial funds for the revolving loan program of \$75,000 were provided by GEPA. The legislation recently appropriated \$2 million in the FY2023 Budget Act.

Chairman Duenas inquired as to what determines whether a customer is in a priority area and should be connected to a public sewer line or not, and how do they know, does GWA or Guam EPA send out letters to these customers? GM Bordallo explained that GWA prioritizes areas where there are issues with nitrates in water wells and septic tanks in areas where there are existing sewer lines then smoke testing is done to see who are connected and who are not. GWA is working with GEPA to come up with a list for their enforcement. Chairman Duenas recommended that there be a planned response for those who want to avail of the service/loan program who are not in a designated priority area and for those who do not want to partake in the program who are.

Commissioner Sanchez recommended that previous legislation that was introduced by former Senator Bisco-Lee be reviewed and possibly revived if relevant to this program and that other more modern options should be explored; he further recommends looking to the legislature for support. He encouraged GWA to think of new ideas of best use of funds, this will start new concepts and ideas to protect our aquifer.

Motion to approve Resolution 08-2023: Relative to Amending the Guam Waterworks Authority's Sewer Hookup Revolving Fund Loan Rules and Regulations, was made by Vice Chairman Francis Santos, seconded by Commissioner Sanchez – no opposition. [Aye = 4, Excused = 1, Nay = 0]

4.4 Resolution No. 09-FY2023 Relative to the Creation of the Engineer Intern (Unclassified) and Amendments to the Engineering Series and Approval of Position Classification Specifications

The Consolidated Commission on Utilities (CCU) on May 22, 2007, approved Resolution No.: 16-FY2007 creating the engineering series of positions. It then subsequently amended the series via Resolution No.: 23-FY2010 on July 27, 2010, resulting in the following positions: Chief Engineer, PE; Assistant Chief Engineer, PE; Senior Engineer Supervisor, PE; Senior Engineer, PE; Associate Engineer; Junior Engineer

Upon recent review of the CCU Board Resolution No.: 23-FY2010, it was discovered that the Senior Engineer, PE classification specification aka “class spec” was not officially created; although it was identified on the resolution. Further, recent developments with the establishment of the School of Engineering at the University of Guam, recruitment efforts for engineering positions, and competition in the construction and utilities industries for engineers have prompted a need to update and re-align the engineering series of positions for improved recruitment, retention and career growth within GWA.

Therefore, the objective is to amend the engineering series to resolve these issues and properly align the series with the needs and existing functions of the Engineering Division it would be appropriate to ensure the classification specifications are consistent with the current state of the industry for recruitment, retention and be competitive with the market for Engineers.

The proposed pay ranges and demonstration of compliance with §6301 of this Title: GWA's compensation plan was authorized by P.L. 28-159 and approved by the CCU in October 2007. The proposed compensation is in accordance with the Strategic Pay Plan Methodology. GWA is responsible for the funding for these positions and is in compliance with all applicable laws, rules, and regulations regarding the creation, filling, and retention of positions in certified, technical, and professional positions. The funding of this position has no financial impact on the Government of Guam General Fund.

Mr. Budasi presented this resolution to the Board, explaining the two main parts of properly aligning positions and technical issues, to add position classification and amending requirements

and removing any duplicate positions from the series. He also provided answers to the Board's request to deliver a comparison between local and federal government salaries for engineers. Commissioner Limtiaco clarified with Mr. Budasi that the only additional salary increase is for the interns, and asked how the intern rate was determined. Mr. Budasi explained that the position was reviewed by the computation consultant on the proposed classification and given job evaluation points, the position was then given a grade based on that which determines the salary. He further clarified that interns are not full-time employees, with no benefits and only work for a term of twelve weeks on an hourly wage. GM Bordallo shared that there has been early discussion with UOG on a cooperative training program to enhance internships working up to graduation, however, these are preliminary discussions.

Vice Chairman Santos posed the question if management would be willing to explore non-classification positions to have more competitive salary ranges. Further research would need to be don't, there was no further discussion on the matter.

Motion to approve Resolution 09-2023: Relative to the Creation of the Engineer Intern (Unclassified) and Amendments to the Engineering Series and Approval of Position Classification Specifications, was made by Vice Chairman Francis Santos, seconded by Commissioner Sanchez – no opposition. [Aye = 4, Excused = 1, Nay = 0]

**5 GPA**

5.1 GM Report –no updates to what was presented at the work session.

5.2 Financial – no updates to this report.

5.3 Resolution No. FY2023-07 Canceling of the Cabras 41MW Reserve Facility

Guam Power Authority (GPA) contracted with the Guam Ukudu Power (GUP) for the construction of the Ukudu Power Plant and associated forty-one (41) MW reserve facility which was required to be relocated to the Cabras industrial area to ensure the Ukudu Power Plant could be constructed using a minor source permit. The GUP lenders required that GUP and GPA obtain legislative approval prior to March 31, 2022, for an exemption to construct the reserve facility within 1,200 feet of a school, and a 30-year lease for both the Ukudu and Cabras lots, and if stipulated legislative approval was not obtained before the deadline, costs would be substantially increased. Because PL36-91 was not signed until April 11, 2022 and PL 36-104, until June 15, 2022 this meant that the contract did not get legislative approval in time, therefore, the cost increased rendering the project not economically feasible. Because the cost for this project had risen to \$98,000,000.00 GPA decided to cancel the project because with current supply chain shortages and other global factors there is no leverage to try negotiating the costs down. As it stands, the property has been rezoned so it is ready for future plans. With this cancellation, a little less than \$58,000,000.00 will be credited back and will save \$2,000,000 a year on fixed costs, variable costs, and will reduce capacity fee payment.

Motion to approve Resolution No. FY2023-07, Canceling of the Cabras 41MW Reserve Facility, was made by Commissioner Simon Sanchez, seconded by– Vice Chairman Francis Santos no opposition. [Aye = 4, Excused = 1, Nay = 0]

5.4 Resolution No. FY2023-08 Line Extension Policy

The Guam Power Authority (GPA) line extension policy is set forth in 28 GAR §3136 and 3139, which provides that private or government owned electric lines beyond the service delivery point must be constructed and maintained without expense to the Authority. The current line extension

policy provides that payment made by the new customer for a line extension may be partially refunded if additional customers connect within five (5) years from the date the extension is ready for service. The GPA proposes to modify the line extension policy from five (5) to fifteen (15) years to allow additional time for customers who pay for a line extension to be partially refunded if additional customers connect to the line extension within that period.

Commissioner Limtiaco asked what or who triggers the notification that a refund is due to a customer. GM Benavente indicated that typically, Engineering section is responsible for that, but that customers are also encouraged to notify GPA when they notice new line extensions.

Motion to approve Resolution No. FY2023-08 Line Extension Policy, was made by Commissioner Simon Sanchez, seconded by Vice Chairman Francis Santos.

Motion to AMEND GPA Res FY23-08 to include on line 12, "additional time for existing and future customers to pay for a line extension to be partially refunded if additional customers connect to the line extension within that period" was made by Commissioner Limtiaco and Commissioner Sanchez seconded. Amendment to the original motion was approved with the following votes: 4 Ayes, 1 Excused, 0 – Nay.

**5.5 Resolution No. FY2023-09 Independent Power Producer (IPP) contract extension, Piti 8 & 9 Units**

Piti 8&9 reliable capacity is vital for the next five years as the new Ukudu 198 MW power plant is commissioned and Phase IV renewable bids with full shifting energy storage systems are awarded and commissioned in late 2026. A reliable and efficient Piti Plant is crucial in avoiding Load Shedding and producing energy at a lower cost most especially because of the high cost of fuel we are experiencing. Marianas Energy Corporation (MEC) converted Piti 8&9 to Ultra-Low Sulfur Diesel (ULSD) in July/September 2022 and continues to fine tune plant operation and maintenance resulting from the conversion from residual fuel oil to ULSD. Piti is now providing clean energy and is compliant with all USEPA rules and regulations as required by the USEPA consent decree. GPA has limited production capacity until the new 198MW Ukudu plant is commissioned and the plant has gone thru the shakedown period of about a year.

The Piti 8&9 88 MW plant continues to be the most reliable plant in the system. MEC management, operators and maintenance employees have successfully operated the plant reliably for the past 24 years. MEC has all the institutional knowledge and experience in operating this complicated plant successfully and reliably. In addition, MEC has an established engine engineering, technical representatives and spare parts cadre of support. The Piti 8&9 plant is currently the most efficient plant in the system it produces energy on ULSD at about 15.4 net kWh/gal and at today's oil prices is \$0.09 to \$0.13/Net kWh cheaper than Cabras and the reserve units. It produces over 600,000,000kWh annually translating to anywhere from \$55M to \$80M in lower fuel cost in comparison to the other generators. Any decrease in reliability will result in an increase in LEAC negatively impacting our ratepayers.

MEC has requested for an expedited extension (letter attached) of their contract for another 5 years. MEC is experiencing difficulties retaining experienced employees because the current contract expires January 2024 and job security has become a major concern amongst its employees. The military buildup has been attracting employees away from MEC which is similar to what GPA is facing. The Annual O&M cost is approximately \$11M and recapitalized annual investments of about \$3M. The contract extension is for the period January 2024 thru January 2029.

GM Benavente further explained the situation and urgency and stated that based on the discussion and questions from the work session, he has added a summary of the Piti 8&9 reliability, cost saving and benefits of extending the contract and in addition, that GPA does not have the staff to run this plant. The plant has been running on ultra-low sulfur diesel as required by EPA requirement, the conversion was successfully done by MEC by September of 2022. The previous extension was requested for in 2018 and approval was obtained by the PUC and he is here today to request for another extension of no more than 5 years to allow for a seamless transition into the new power plant.

Vice Chair Santos asked when was the original contract started, Mr. Graham Botha explained that began construction in 1996, MEC started as the contractor in January, 1999. That's when the first 20yr portion of the contract for BOT started. In January or February of 2018 prior to the expiration of the 20-year period, GPA presented the petitioned for extension, under 32 ECA that the contract could be amended based on mutual agreement of the parties, before the CCU and PUC for approval. He went on to explain the terms and timeline and that GPA and MEC are now in an operating agreement. Vice Chair Santos asked Mr. Botha for confirmation that GPA now officially owns the plant and that the contract was simply amended for an operating extension without going out to bid. Graham confirmed that is correct. There is no new contract, the contract was modified based on mutual consent by both parties.

The PUC's position at the time was that it was a broad right to amend and it was changed to go from a BOT, to just an operating agreement. The only thing that changed is that GPA no longer pays capitalized payments. Commissioner Limtiaco asked if the new operating agreement included a finite timeline or if there were provisions for an extension. Mr. Botha explained that the first extension was for a 5-year period and that any extension is capped at 30 years by 8104 section n, no contract shall exceed 30 years.

Vice Chairman Santos posed the question of who else could run the plant, if not MEC, GM Benavente stated that the contract would have to go out on bid. He further stated that there is a risk in how well a new bidder knows the machine. GM Benavente advised that if any other company were to come in, there would be a transition period as opposed to the continuity of service with MEC because they already have all the labor force and the support, BWSC made the conversion happen, they have the spare parts supply chain and most importantly, the expertise. GPA does not have the experienced personnel to run it, and he's not comfortable with new people coming in who are not experienced in running the plant.

Limtiaco asked if it is a full 5-year contract term or if it is a one year base with four, one year options to extend, GM Benavente stated that it is still negotiable at this time, but advises that the manpower is an important factor to consider as in if the contract is shortened then the manpower might want to look for a longer term source of employment because employees need the assurance. However, that a provision could be put in place for reevaluation in the second or third year in case conditions change and renegotiations can take place at that time. GM Benavente recommends something like a 3-year term with two, one-year options to renew. A competitive bid will have less risk at that time because the Ukudu Power Plant will already be in operation and there will also be more renewables set in place to support power generation needs; but at this point we need Piti 8&9, and the seamless continuity through the extension of this contract is crucial.

Chairman Duenas had some concerns to address, he asked GPA legal counsel Mr. Botha what the effective date of the transfer is, Mr. Botha indicated that ownership began on January, 2019. Chairman further asked when did negotiations start for this additional extension, Mr. Botha indicated around January or February of 2018. Chairman asked Mr. Botha to confirm if the original contract was for a build, operate, transfer; and furthermore, he asked if the contract ended when the facility was transferred to GPA. Commissioner Limtiaco asked if the current contract is still in effect since the modification of terms were mutually agreed to extend the operations by both parties. The Chairman shared his concern that someone could question how the operating contract was established. He stated that assurance of the legality of this action should be made clear by legal counsel. The Chairman indicated that he is most concerned about the original extension, because he believes that once the plant was transferred back to GPA then a new bid should have gone out for a new bid for operating services. Commissioner Limtiaco asked if the mutual agreement between GPA and MEC would have satisfied this concern, the Chairman indicated that he does not believe it is sufficient in addressing the original extension in which the original bid was for a build, operate and transfer contract and did not include the ability to continue to operate or extend the contract once the plant was transferred to GPA. Commissioner Sanchez indicated that there was a clause in the original 1999 agreement allowing the contracted be amended, this allows for the extension for MEC to continue to operate the plant after the transfer. Chairman stated that this is his concern, that more research and verification should be done, all acknowledged that it is a valid concern. Vice Chairman Santos wants reassurance from legal counsel that this extension to operate is allowable based on mutual agreement, he asked what the docket request title was when the first extension was request. Mr. Botha stated, it was "Piti 8&9 Contract Extension with MEC," he referenced PUC's citation of the agreement indicating its' validity, citing 32 Energy Conversion Agreement (ECA), "gives parties the right to change the agreement based on a mutual agreement". Commissioner Limtiaco requested for a 5min recess to read the document.

Motion to approve Resolution No. FY2023-09 Independent Power Producer (IPP) contract extension, Piti 8 & 9 Units to next month, was made by Commissioner Sanchez, seconded by Vice Chairman Francis Santos and all agreed – no votes taken as further discussions took place.

Motion to TABLE Resolution No. FY2023-09 Independent Power Producer (IPP) contract extension, Piti 8 & 9 Units to next month, was made by Commissioner Sanchez, seconded by Commissioner Francis Santos and all agreed. [Aye = 4, Excused = 1, Nay = 0]

Mr. Botha was instructed to provide the original amendment and the PUC order from the first extension and the portion of 32 ECA that he cited immediately after the work session to allow for the Board's review for further discussion at the board meeting.

**5.6 Resolution No. FY2023-10 Adjustment to the Power Pole Attachment Rate**

The most common visual elements of the utility industry are the transmission towers and utility power poles delivering electricity, and often these poles are used for transporting other important products and services offered by third parties, such as telecommunications, and cable services. The process by which communication and cable companies can collocate its infrastructure on existing utility poles are termed pole attachments; and this reduces the number of poles to be built to accommodate utility services thus reducing the costs to end users by allowing cost share.

The Guam Public Utilities Commission (PUC) is authorized to examine, establish, and modify rates and charges for utility services. In January 2011 the PUC determined it appropriate to postpone consideration of permanent pole attachment rates until the pending Federal Communications

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Commission (FCC) rulemaking proceeding regarding pole attachment rate formulas is concluded. The FCC updated the pole attachment rate formula in 2015 under FCC 15-151; where FCC adjusted the telecom formula to bring greater parity between telecom and cable rate formulas and GPA seeks for the adjustment of the current pole attachment rate.

GPA currently charges pole attachments for about 26,000 poles to five private telecommunications and cable companies and the proposed rate adjustment projects an increase of pole attachment revenue by \$6,538 per month and \$78,450 per annum. GPA seeks for the adjustment of the current pole attachment rate by three dollars (\$3.00) per pole attachment (\$0.25 cents per month) from six dollars (\$6.00) to nine dollars (\$9.00) annually for the next three years.

Chairman Duenas asked if the formula has already been approved by the FCC and whether the formula in this resolution is based on the new rate, CFO John Kim confirmed this to be correct.

Motion to approve Resolution No. FY2023-10 Adjustment to the Power Pole Attachment Rate, was made by Vice Chairman Francis Santos, seconded by Commissioner Sanchez – no opposition.

[Aye = 4, Excused = 1, Nay = 0]

### 5.7 Resolution No. FY2023-11 Multi-Step Bid for Property Insurance

CCU has determined that it is a prudent and reasonable business practice to maintain insurance coverage on Guam Power Authority's (GPAs) assets to the extent practical. GPA's Bond Indenture agreement requires GPA to "secure and maintain property insurance on all facilities constituting the system against risks of loss or damage to the extent that such insurance is obtainable at reasonable cost." The indenture further requires GPA to carry insurance "of a scope and nature as that usually carried in the industry." The contract review protocol established by the PUC requires that all contracts in excess of \$1.5 million be authorized by the PUC in advance of the procurement.

The current property insurance cost for FY'2023 is \$6.67 million and this procurement will exceed the PUC contract review threshold. GPA's existing Property Insurance policy including Boiler and Machinery coverage and Terrorism coverage will expire on November 1, 2023. GPA desires to issue its insurance Multi-step bid as soon as possible in order to allow sufficient time for insurance vendors to prepare their bid. The term of the insurance bid being requested will be for a three (3) year period (FY'2024 thru FY'2026) with options for two (2) additional one (1) year extensions.

GM Benavente is requesting approval for the extension as there is no change to past solicitations, it will be open competition to anyone who wants to bid, this is being presented today to allow for the proper approval process to be completed by the summer in order for the new term to be in effect by November 1, 2023. The Chairman asked Mr. Kim to confirm that there is a risk manager who does issue advice when going out for RFPs, CFO Kim confirmed.

Motion to approve Resolution No. FY2023-11 Multi-Step Bid for Property Insurance, was made by Commissioner Simon Sanchez, seconded by Commissioner Michael Limtiaco – no opposition.

[Aye = 4, Excused = 1, Nay = 0]

## 6 OTHER DISCUSSION - None

## 7 EXECUTIVE SESSION

7.1 GWA Litigation Matters - The Board carried straight into Executive Session, all others were excused. Executive session convened at 7:29pm, with all required attendees.



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Open session reconvened at 7:50pm. Meeting adjourned shortly after with no opposition.

8 ANNOUNCEMENTS

8.1 Next CCU Meetings:

With impending travel plans, the next work sessions were moved up to Tuesday, Feb. 13, 2023 at 8:30 a.m. for the GWA Work Session and GPA's work session immediately following, the regular board meeting will take place on Feb. 16, 2023 at 5:30 p.m. – motion made by Commissioner Sanchez, seconded by Vice Chairman Santos and all agreed.

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CBA

Attested:



JOSEPH T. DUENAS, Chairman



PEDRO ROY MARTINEZ, Secretary