



CONSOLIDATED COMMISSION ON UTILITIES

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

CCU Special Board Meeting
 CCU Conference Room, Gloria B. Nelson Public Service Building
 5:30 p.m., Tuesday, May 30, 2023

MINUTES

1. CALL TO ORDER

[Chairman Duenas] This a meeting of the Consolidated Commission on Utilities. It is a special meeting. We didn't have a chance to get a meeting because of the storm, we couldn't notice it properly so this is a special meeting. We're going to cover the topics that we need to cover both mostly for GWA.

For the record those present in the room are myself (Chairman Duenas), Commissioner Martinez, Commissioner Santos, and online is Commissioner Limtiaco.

I know Commissioner Sanchez was going to try to get on so hopefully he might join the meeting as we progress.

Commissioner Name	Position	Attendance Status
Joseph "Chairman Duenas" T. Duenas	Chairman	Present (in-person)
Francis Santos	Vice-Chairman	Present (in-person)
Pedro Martinez	Secretary	Present (in-person)
Michael Limtiaco	Board Member	Present (online)
Simon Sanchez	Board Member	Absent

Executive Management	
GPA	GWA
John Benavente	Miguel Bordallo
Jennifer Sablan	Chris Budasi
Tricee Limtiaco (online)	Therese Rojas
John Kim	Taling Taitano (online)

Management and Staff	
GPA	GWA
Candice Ananich	Ann Borja-Gallardes
Reginald Diaz	Allen McDonald
Joyce Sayama	Evangeline Lujan

Public	
None	

2. APPROVAL OF MINUTES

[Chairman Duenas] There are no minutes for the meeting tonight...

3. PUBLIC COMMENT

[Chairman Duenas] And there's nobody from the public.

4. GPA

4.1 GM REPORT

[GM Benavente] I have a brief summary of where we are today in terms of the power system, as of 12 o'clock today, we have about 26% of our customer demand restored. We don't have the customer numbers yet because for the Outage Management System is not online completely yet until probably the end of the week. If you try to translate that to approximate number of customers, you can anticipate that there's somewhere around 13,000 customers restored.

Now, if you look at the most of our effort has been to put up transmission lines and substations. Substation is like your main breaker in the house. If there's no power to the main breaker, all the feeders or circuits do not have power, so we have to restore the substation.

So out of 24 critical substations, we have restored 20, so that's 83% that are restored. Out of the 63 feeders that we have, 34 have been restored, so about 55.6%.

So the way that works now is that you see the larger number of substations have been restored now you're going to see more and more feeders restored. As it could be seen, we get to this point restoring customers but our main emphasis has been to get the hospitals running, running to the water wells, running to the major wastewater sewer treatment plants and systems. We've done that, we have one last critical thing we have to do is get Apra up so that we can get the Ga'an and the other wastewater treatment up and running. Our team is out there and hopefully that's done tonight.

So out of the 24, Apra and Orote should probably be on tonight. Then we're going to hit Umatac and the Radio Barrigada and that will complete heating up all the substations. We've gotten as far as Piti in one end and we got this far as Talofoto on the other end. So having those, now we can begin feeder restoring customers and the other areas.

In terms of generation capacity, we do have 91 megawatts online now for the 52 megawatts of load. We do have work with the power plants, for example, Cabras got station service today and it will probably take her 24 to 36 hours to be on the line.

(Piti) 8 and 9 has some water inclusions and so it's going to take two to four days. They're bringing in some parts from Macao. Macao has the parts and everything because the

specialist is over there. As far as having the capacity to continue the restoration, I think Cabras should come on the line tomorrow then that will alleviate the whole thing.

The other things that we're working on, of course we're working 24/7, 12-hour shifts.

Our inventory is good so we are not running out of anything that we need, although we're ordering to replenish. I have put in the order through FEMA for bringing in 16 personnel from CNMI, probably will be here within about a week and they'll roll right into our teams. As we get to the harder, more difficult places, we have more manpower to look at that. So even if you had very heavily damage, we're going to get to you, and then we're going to have more people working with us at that point.

We've all also asked assistance from the American Public Power Association to repair the Cabras line 1 and 2. That's the tower lattice that goes through the mountains. We get a group that will just concentrate on that. That's the last one we're going to get through but if we bringing in a group that will repair that, then we don't have to worry when we get to that point. That would add added reliability to the system but not necessary for us to bring the whole system back.

Solar Farms, there is minimal damage in both the KEPCO, up here, the 60 megawatt and the 25 megawatt down south. We won't be starting them up for about a week because we need to stabilize the system and get both energy storage battery systems up and operating. Right now they are working on Mongmong, because that's our main system control for the system. Talofofu, it seems like it might be ready but again we're not starting up that solar, we need to get the Hagatna one.

Everything is moving in the right direction and soon these things will get up, stabilize, then we begin to put in more and more feeders. Again, when I say feeders, we will be concentrating spreading our crews to different substations and beginning to address the least damaged feeders at that point to get the most customers back and then we'll get to the really heavily damaged ones.

Transformers all of those things they will be a special crew that will just be out there installing transformers so that we're not holding up the crew, just waiting around for a transformer. So those are the processes that we will work towards.

I'd just like to thank all the hardworking men and women of GPA and GWA. Everyone's been working hard, the team has been working well, handling the need for water because power and water goes hand in hand, and so we've been working those to ourselves and the teams.

There are some nice lessons learned that we will act upon afterwards but right now we're doing very well and I think the infrastructure has stood up well despite the huge magnitude of the winds that was here. Not only it was here, but lingered here for a long time.

[Comm. Santos] Where did we sustain the most damage? In terms of our systems?

[GM Benavente] Mostly in the north, like right now, we're trying to get to two of the largest wells up north, HGC-2 and AG-2, it has been taking several days to get there but maybe hopefully tonight or tomorrow they get that. We want to get there because those are the

high production wells and if we get there, that would help increase the pressure of the system.

We're trying to get down to Apra so we can get the wastewater system going. We got the Hagatna Main already, we got all the other ones.

Now that we have done that we can begin now to address the customers coming on the feeders. It's just you know, step by step by step but so far it's going very well and the teams are staying together, hanging tight, of course people are getting tired but you know, we just have to do it safely.

[Chairman Duenas] Commission Martinez, do you have any questions?

[Comm. Martinez] What about the new construction? Ukudu, is that okay?

[GM Benavente] Ukudu is a different story, I will give a report on that later but the tanks that are there, the beautiful tanks that were going up for the two storage tanks for the fuel and two for the treatment plan, they all buckled.

I'm hearing that may delay as much as one year, the project, because you have to re-order the materials, do all of this, and all of that. But again, I don't have an update to the schedule. I think the other machines are fine, which is more critical but the tanks have to be reconstructed, most likely. Once you're completed, you have to fill it with water or something, otherwise it could buckle on you. Here, the tanks we're just getting to the top and that would make them more strong but still potentially could buckle.

[Chairman Duenas] Our General Manager, Miguel Bordallo, who's now here, for GWA. I just wanted to acknowledge him. Comm. Limtiaco, do you have any questions for John B?

[Comm. Limtiaco] Are there any updates on the standby generators for the wells? I know you working to restore power so we can get the wells operational but what about the gen sets, I read the report directly, there are 22 that are off the line? Are we doing anything to try and get those operational until power is restored?

[GM Benavente] I think they are moving some around that they could but right at this point we're trying to get them island power.

That's 22 that are down, let's take that in relative numbers, there's 22 out of 300 generators. That's not too bad. They're trying to get generators where they can but there is already criticism, all the generator didn't survive and all that, well come on, they gotta lay off that because in a storm like this, you will have these generators to have a problem but at least there's a substantial majority of them are still operating.

Where we are now, we have to pull from somewhere and all of that, we're going to do that, but we're trying to address the big one in the north with island power. Most of the others are I think they got a generator to access. You got to access the generator to operate that because it's going to take us a little longer to get to access. So those are the things that we're working on.

4.2 FINANCIAL

[Chairman Duenas] Okay, you okay Comm. Limtiaco? John Kim do you have anything to tell us on the financial side?

[John Kim] Not really much.

4.3 RESOLUTION NO. FY2023-20 (GPA)/Resolution 31-FY2023 (GWA) Approving the Procurement of Conflict(s) and Assistant Legal Counsel(s) for the CCU, Guam Power Authority and Guam Waterworks Authority

[Chairman Duenas] Let's start with the first joint resolution. Teresa do you want to address this one? Let's do this!

It's on the GWA GPA list. Let's just deal with that one now while we wait for Miguel to show up and if not we'll get Chris to step up and get going.

[Atty. Rojas] This is agenda item 4.3 on the agenda for GPA and agenda item 5.10 for GWA.

[Comm. Santos] I move to accept the two resolutions.

[Chairman Duenas] Is there a motion to accept?

[Comm. Santos] Yup

[Chairman Duenas] Is there a second?

[Comm. Martinez] Second.

[Chairman Duenas] So there's a motion and a second.

[Atty. Rojas] So Resolution No. FY2023-20 for GPA and Resolution No. 31-FY2023 for GWA, is essentially for GPA and GWA to jointly procure a new interim, alternate, or conflicts Counsel for the authority. As the Commissioners are aware, on contract for five (5) years was the law firm of Vincent Leon Guerrero serving as alternate, interim, or conflicts Counsel for the CCU, GPA and GWA.

Attorney Leon Guerrero's contract expired May 17, 2023, so this is a request for the CCU to approve that GPA and GWA re-procure new legal services for the CCU.

The legal services are intended to be temporary in nature and as the board is aware, both GPA and GWA have their own in-house Counsels. The bulk of the work for the utilities is performed by the in-house attorneys but the procurement for an outside legal Counsel is to cover the in-house attorney's in the event of deployments, unexpected leave, excessive workloads or for specialized legal matters. Special technical legal matters.

In the past the scope of work for the outside Counsel has been to provide legal opinions for issues that perhaps either the GPA or GWA attorney would be in conflict with. To prepare documents for specialized matters, either it would be contract reviews or it could

be deeds pertaining to land issues. It's intended to be specialized in nature then it really is for the CCU to have the option, and GPA and GWA to have the option, to reach out to an alternate, interim, or conflicts Counsel, as needed.

[Chairman Duenas] John (*Benavente*) you're presenting this resolution on behalf of GPA, and Chris (*Budas*) is here for GWA and your both asking for this resolution to be adopted?

[GM Benavente] Yes, that's correct, Mr. Chairman, it's needed for both of us.

[Chairman Duenas] Commissioners, in the room, do you have any questions? No? Comm. Limtiaco (online), do you have any questions?

[Comm. Limtiaco] Regarding the conflicts Counsel spend over the last five years, how were 2022 divvied up between GPA and GWA? There was a total spend of \$730,000 for 2022, what percentage of that was split between GPA and GWA, and for what reasons?

[Atty. Rojas] So Commissioner Limtiaco, sorry, I don't have the answer to that question this evening. I did confirm with GPA finance that all the billings from Attorney Vince Leon Guerrero have just been coming through to GWA because a bulk of his legal work has been for GWA because he's on the Badger suit and the Core Tech suit.

[Chairman Duenas] Litigation matters.

[Atty. Rojas] We have not cross billed. We haven't built GPA for any of the work performed as of yet so we haven't come up with those numbers. So I don't know the proportion of work is on the amounts that we have.

[Chairman Duenas] Commissioner Limtiaco, I remember that some of this was also dealing with U.S. EPA enforcement issues. Through the conflicts Counsel, we procured the specialty attorneys to work with us on those enforcement actions. Both for GPA with regards to the consent decree.

John, what was the consent decree for? the air quality? I can't remember?

You did the U.S EPA, there was an outside Counsel... I remember, there was a guy, Pillsbury! Pillsbury, that's the name of the company. So that was for GPA for that consent decree with regards to Rice-Mac or AGU-Mac. Those were the two enforcements. We needed the specialty Counsels who knew and understood these enforcement issues.

Then on GWA, there are all the other matters some of which I think you remember Comm. Limtiaco.

[Comm. Limtiaco] Okay.

[Chairman Duenas] No further questions, no further discussion? All those in favor of approving the resolution signify by saying "aye"?

[Commissioners] "Aye"

[Chairman Duenas] Motion carries with three (3) "aye" votes in the room and one (1) "aye" vote online.

[Chairman Duenas] Motion carries, five (5) affirmative votes.

5. GWA

5.1 GM Report

[Chairman Duenas] Okay, that's good. The rest of the resolutions are all GWA. We got through the first joint resolution and we approved that one already. Unless you want to do a report or anything, you want to just focus on the resolutions first?

[GM Bordallo] Sure. Just by way of information, I just wanted to let the Commissioners know that Senator San Augustin has doubts about GWA management and he's going to have questions for you he said, at the hearing.

[Chairman Duenas] Oh, well thank you very much.

[Comm. Santos] He's qualified to be the general manager.

5.2 Financial

5.3 Relative to Approval of the Tamuning and Manenggon Reservoirs Construction Contract Resolution No. 10-FY2023

[GM Bordallo] Our next resolution up for your action is 10-FY2023 and this is relative to approving the contract or Manenggon Reservoir No. 2 and Tamuning Reservoir No. 2. These are both court-ordered tank projects. The Tamuning Reservoir No. 2 is your favorite Mr. Chair, the airport reservoir and Manenggon is the one up by Leo Palace. Both of these will be replaced with concrete reservoirs.

[Chairman Duenas] Will these generators complete the court order?

[GM Bordallo] Well, reservoirs you mean?

[Chairman Duenas] Yeah, these reservoirs.

[GM Bordallo] Not complete but they will help us get there. There are two resolutions that deal with the reservoirs, so this is the first one of them. These two were put out together and its construction of these two new concrete reservoirs and then the existing steel reservoirs will also be repaired.

Sorry, Mr. Chair, because I was called down (*to the legislature*), I'm not very well prepared for this right now.

[Comm. Santos] Motion to accept GWA resolution 10-FY2023.

[Comm. Martinez] Second.

[Chairman Duenas] Do you have any more to say about this resolutions?

[GM Bordallo] I think I need to give you the total cost.

[Chairman Duenas] Oh yes, it's a big cost. The cost is going to be big.

[GM Bordallo] We're seeking approval of \$34,429,555.00 for the contract with Core Tech International and the standard 5% contingency, so bringing the total funding authorization to \$36.1 million.

[Chairman Duenas] Okay. Any questions? Comm. Limtiaco, do you have any questions?

[Comm. Limtiaco] No questions Mr. Chair.

[Chairman Duenas] No questions, all those in favor of the motion signify by saying "aye"?

[Commissioners] "Aye"

[Chairman Duenas] So three (3) "ayes" in the room and Commissioner Limtiaco is also voting "aye" online.

5.4 Relative to Approval of the Indefinite Delivery/Indefinite Quantity Undersized Waterline Replacement Design and CM Contract Resolution No. 18-FY2023

*Tabled

5.5 Relative to Approval of Additional Funding of Construction Contract for the Tank Repair and Bypass Project Resolution No. 26-FY2023

[Comm. Santos] This is motion to accept GWA resolution 26-FY2023, Mr. Chairman.

[Chairman Duenas] Is there a second?

[Comm. Limtiaco] Second.

[Chairman Duenas] Okay, go ahead.

[GM Bordallo] This is additional funding for the construction contract for our tank repair and bypass project. This is again part of the court order. It includes cost specifically for the Kaiser fuel tank repairs in the amount of \$2.584 million, which includes a 15% contingency. The existing contract has already been funded up to about \$12 million and we're seeking this additional funding request of \$2.558 million to bring the total cost authorized amount to \$15.54 million.

[Chairman Duenas] Any questions on this motion? If there are no further questions, all those in favor signify by saying "aye"?

[Commissioners] "Aye"

[Chairman Duenas] Motion carries, three (3) "aye" votes in the room and Commissioner Limtiaco voting "aye" online.

5.6 Relative to Approval of the Ugum #2 Reservoir Construction Management Contract Resolution No. 27-FY2023

[GM Bordallo] Next resolution is 27- FY2023. This is the second of the major court order tank projects. This is Ugum No. 2. This is the construction management contract for

Ugum No. 2 Reservoir. This is a court ordered project for the construction of a second reservoir at the Ugum treatment plant. The construction management services that are required for this project, we've negotiated with the most qualified offer at a fee of \$1.514 million, with a 10% contingency of \$151,000. We're seeking your authorization for funding in the amount of \$1.666 million dollars and this will be funded from bond funds.

[Comm. Santos] Motion to accept GWA resolution 27-FY2023.

[Chairman Duenas] Second?

[Comm. Martinez] Second.

[Chairman Duenas] Anybody have any questions on this resolution? All those in favor of the resolution signify by saying "aye"?

[Commissioners] "Aye"

[Chairman Duenas] So there are three (3) "ayes" in the room and Commissioner Limtiaco votes "aye" online.

5.7 Relative to Approval of Bond Proceeds Reallocation Resolution No. 28-FY2023

[GM Bordallo] Next is resolution 28-FY2023 and this is seeking the board's approval to reallocate proceeds from that Series 2020A bonds this is primarily because we need to fund all of the court ordered tank projects.

Since this bond issuance, there have been several factors which have increased construction costs including the local construction market and also the inflationary pressures that have resulted from global supply chain issues, oil prices, all of that. We are finding that we have sufficient bond funds to complete the court ordered projects but the amounts that we had allocated for those court ordered projects is being exceeded by the current construction market and the costs associated with these projects.

We are seeking to reallocate \$11.893 million of the Series 2020A bond proceeds from projects that can either be deferred or are not needed at this time and will be funded with either grants or later bonds.

[Comm. Santos] Motion to accept GWA resolution 28-FY2023.

[Comm. Martinez] Second.

[Chairman Duenas] Okay, we have any questions on this?

[Comm. Limtiaco] No questions Mr. Chair.

[Chairman Duenas] Okay, all those in favor of the resolution please signify by saying "Aye"?

[Commissioners] "Aye"

[Chairman Duenas] Okay, three (3) "ayes" in the room and Commissioner Limtiaco votes "aye" online.

5.8 Relative to Approval of the Ugam #2 Reservoir Construction Contract Resolution No. 29-FY2023

*Tabled

5.9 Relative to Requesting Approval to Procure Indefinite Delivery / Indefinite Quantity Services for Design, Construction, and Project/Construction Management for Sewage Pump Station and Force Main Rehabilitation / Replacement Resolution No. 30-FY2023

[GM Bordallo] Resolution 30-FY2023 is seeking the Board's approval for procuring engineering, construction, and project/construction management services for sewage pump station and force main repair, rehabilitation, and replacement. This procurement is essentially to provide the services that would be needed to address the compliance project that we are currently negotiating with U.S. EPA as part of our consent decree.

As you are well aware, the primary focus of that consent decree are wastewater projects, collection system project. So we are anticipate putting out RFPs for engineering, design, and project management and construction management surveys through indefinite delivery, indefinite quantity contracts. Then issuing task orders for the various projects that we will need to undertake.

The location of these projects will be island-wide. We are estimating a cost of \$5.54 million will be needed for the sewer pump stations and of course main costs ranging from \$17.3 million to \$116 million to replace force mains. However, these construction costs that were estimated in the master plan need to be evaluated. What we are seeking your approval for is to procure the engineering services in order to address these types of compliance projects. We are proposing to use bond and grant funds in order to procure these services island-wide.

[Chairman Duenas] Okay, there's motion already, right?!

[Comm. Santos] No. Motion to accept GWA resolution 30-FY2023.

[Chairman Duenas] Second?

[Comm. Limtiaco] Second.

[Chairman Duenas] Any further discussion? Any questions? There are no questions, all those in favor the motion signify by saying "aye"?

[Commissioners] "Aye"

[Chairman Duenas] There's three (3) "ayes" in the room and Commissioner Limtiaco says "aye" online.

5.10 Relative to Approving the Procurement of Conflict(s) and Assistant Legal Counsel(s) for the CCU, Guam Power Authority and the Guam Waterworks Authority Resolution No. 31-FY2023 (GWA) / Resolution No. FY2023-20 (GPA)

*Tabled

5.11 Relative to Approval and Ratification of Legal Counsels for Litigation for Sup. Ct. of Guam Case No. CV1198-18 and D. Ct. of Guam Case No. CV20-00032 Resolution No. 33-FY2023

*Tabled

5.12 Relative to Approval of Guam Waterworks Authority FY2023 True-Up and FY2024 Budget Resolution No. 33-FY2023

[GM Bordallo] The next resolution for action is number 33-FY2023 and this is approving our Fiscal Year 2023 True-Up and Fiscal Year 2024 Budget.

As you know, in the PUC's September 22, 2022 rate decision, they approved the 5.5% increase for both Fiscal Year 2023 and Fiscal Year 2024, with the requirement to do a True-Up, due June 1st of this year. To reflect our actual and projected completion of Fiscal Year 2023 and then project our budget for Fiscal Year 2024.

Based on the work that we have done with our financial consultants and our finance team, our Fiscal Year 2024 proposed budget is estimated at \$137.6 million with \$108.1 million in operating expenses. It's based on achieving a target debt service coverage ratio of 1.35, which is still not where we want to be but it's better than where we were during the pandemic.

With target replenishment of reserves that we have exhausted, because of the lack of rate relief that we requested. So we would seek to replenish reserves at \$7.5 million and also include \$8.8 million in internally funded capital projects to cover IT equipment purchases and other internally funded CIP.

In order to do this, an anticipated increase using our current rate design is being estimated at or projected at 27%. This would include a 3.8% legislative surcharge recommended to cover expenses related to retirees.

We have conservatively projected growth for most accounts, which is to say "flat", with less than 1% of growth for residential accounts. With Commercial One accounts projected to grow between 0.25% and 1%.

We've also factored in price elasticity with that proposed 27% rate increase. We would see a decline in demand of about 2.4% per residential accounts and 3.6% in commercial or non-residential accounts.

We have prepared a sample of some of the schedules that we will be filing with the PUC for the Board, those are included in Exhibit A. Schedules A1 and A2, you can see if we go to...

[Chairman Duenas] It's on page 151 of my board book, you don't have that?

[GM Bordallo] True-Up Schedule A1?

[Chairman Duenas] Yeah, it's on 151. Comm. Limtiaco, of our board books, okay?

[Comm. Limtiaco] Got it.

[GM Bordallo] So you can see our proposed budget with 27% rate increase. Our total sources would be about at \$130 million. Our total uses \$128 million which would include \$39 million in debt service and then the \$8.8 million in internally funded CIP.

With all of that, we would transfer \$7.5 million to the rate stabilization fund, that number is shown in blue, mid-page. That would result in debt service coverage ratio at the end of the year of 1.354.

If you look at the following page, this is True-Up Schedule A2, this shows what our performance would be had we not had the benefit of the reserves. You can see starting in Fiscal Year 2022, we would have been at the debt service coverage of 1.138, and then in Fiscal Year 2023, 0.818, resulting primarily from the increased expenses for debts or debt service and also for the power.

In Fiscal Year 2024, if we don't get any rate relief, we'll be at 0.848 and so, all of these numbers are would put us in technical default. So we have suffered from two years of using reserves and not having sufficient rate revenue to cover our expenses and of course that has depleted the reserves.

So now we're facing a situation where we won't have any reserves moving forward, we won't have any assistance from anybody else, so in order to meet our operating expenses and achieve the bond indenture requirements of a minimum debt service coverage of 1.25, with a little bit of cushion, and to replenish our reserves, the rate relief that would be required is 27%.

Schedule K is attached which shows these rate increases for our monthly base charges and our volumetric rates for both water and wastewater. Again, these are increases based on our current rate design structure not the new or proposed rate design structure, which petition for which is already before the PUC but we've amended it to ask for it to be deferred to the next to be implemented in the next five-year rate. So what we're proposing at 27% is on our existing rate structure.

[Comm. Santos] If they had approved them, Miguel, what would this look like?

[GM Bordallo] It's difficult to tell, we didn't run that kind of scenario. Just how it was spread out with the rate design, some rate classes would have gone up 30% or more just to provide the overall revenue requirement that we would need. We thought it best to proceed with current rate design structure and that's what is before you today.

Schedule "L", we present the customer impact based on various estimated usages so you can see for example, for customers in the residential rate class using 3,000 gallons per month, their bill for both water and sewer would be \$63.76. In Fiscal Year 2024, with the proposed increase, that would go up by about \$17, and so their bill for 3,000-gallons a month would be \$81.

Probably, more of our customers would fall in the 6,000-gallon a month range so that would move them from \$82.68 currently to about \$105.20 with the proposed rate increase.

[Chairman Duenas] Not a pretty picture but one that we don't have a way around.

[GM Bordallo] Right, this is a result of the delay, the recommendations by the PUC's consultants to kick the can down the road, and not provide the rate relief that we originally requested. It's also put us in the position of not having a choice as to how we can move forward. Remember, this is just projecting out for Fiscal Year 2024, so if the approved rates were too low then we risk technical default and even higher requirements for rate increases in the in the next five-year rate.

If the approved rates are higher than absolutely required, which we very much doubt, in our Fiscal Year 2025 through 2029 ratings may be lower than what we're currently projecting.

[Comm. Santos] When do you go before the PUC?

[GM Bordallo] We have to submit June 1st and then we're hoping they will handle us in August or July meeting.

[Comm. Santos] Not the June meeting?

[Chairman Duenas] Their July meeting.

[GM Bordallo] I mean it is going to be up to them whether they require their consultants provide them information on this True-Up.

[Comm. Santos] And they have done that in the past, right?

[Chairman Duenas] Well, they can do anything they want.

[Comm. Limtiaco] Hey Miguel, I have a question.

[GM Bordallo] Sure.

[Comm. Limtiaco] So Miguel, the 5.5% that was the non-lifeline rate, that's already in place right? That's been increased already by 5.5%, right?

[GM Bordallo] There was a 5.5% increase for Fiscal Year 2023 and the placeholder rate for Fiscal Year 2024 that was set by the PUC is also 5.5%

[Comm. Limtiaco] Okay and so the 27% True-Up that you're recommending, that's inclusive of what that additional 5.5% would be as well?

[GM Bordallo] Instead of 5.5% it would need to be 27%.

[Comm. Limtiaco] But the surcharge, that's a 3.8% that's an increase from the prior year by 0.3%?

[GM Bordallo] That's based on the projection of the expenses for retirees.

[Chairman Duenas] That's mandated by the retirees, by law.

[Comm. Limtiaco] Can you explain again the 8.8% in the internally funded capital expenditures and why we're trying to recover that and included it in the rate increase?

[GM Bordallo] The internally funded CIP is funded out of revenues so it is included in our projections for that 27%. So a portion of the of the rates would go into an IFCIP fund and then would be used to fund Capital Improvement Projects that we don't have bond or grant funding for.

[Chairman Duenas] Miguel, to follow up on what Commissioner Limtiaco said, there is a need for revenue funded projects because we get a lot of grants and EPA money already but the need is greater than that. Is that accurate?

[GM Bordallo] Yes, and the overall long-term financial planning objective, as stated in our Water Resource Master Plan was to build up sufficient rate revenues such that your annual renewals, for example, if you have pipelines that are anticipated to have a 50-year lifespan, that means every year you should be replacing 2% of your inventory.

So your annual renewals should be funded out of revenues and you should only be financing and incurring debt for Capital Improvement Projects that are kind of, to use the exquisite financial phrase, "they're lumpy".

So every year you should be spending to do your annual renewals but those big projects that are not expended annually, like a new wastewater treatment plant, those are "lumpy". Those are the ones that you should be debt financing. But, in general your renewals, you want to be funding out of revenues.

That was the overall objective and so each time we prepare a financial plan we estimate or project what we can fund through rate revenues, what we anticipate we will get in grants, and what we would need to debt finance.

For the last five-year plan, we haven't really had any revenues to do any IFCIP so we've burned through whatever reserves we had in place. We've also deferred some projects that should have been funded out of IFCIP. This budget includes a certain amount to handle those type of annual renewals and software requirements, that sort of thing.

[Chairman Duenas] Commissioner Limtiaco, we have a big thing on the horizon where he talks about lumpy projects, the Hagatna wastewater treatment is one of those projects. That's a big, lumpy project. Any other questions?

[Comm. Limtiaco] No other questions.

[Chairman Duenas] Did we have a motion?

[Comm. Santos] Motion to accept Mr. Chairman.

[Comm. Limtiaco] Second.

[Comm. Santos] Just for the record, its resolution its 33-FY2023.

[Chairman Duenas] Thank you. Okay, if there are no further questions or discussions, all those in favor signify by saying "Aye"?

[Commissioners] "Aye"

[Chairman Duenas] Commissioner Limtiaco signifies "aye" also. Thank you very much, so four (4) "ayes", three (3) in the room and one (1) online.

What's next or are we done?

Do you have anything else that you want to tell us?

[Comm. Santos] What was the result of the oversight hearing other than Senator Joe San Agustin is going to call for you.

[GM Bordallo] There were significant questions about our ability to bring wells back online. Whether or not we were prepared going into the storm. They would like estimates of when we would get back to everybody having water and I gave them the best answers that I could. Other than that, no, nothing else really to report. I gave them the same information that we have been putting out with the agency report.

[Comm. Limtiaco] Miguel, was there a sense of whether or not they're receiving these comms? Were they aware of the communication? In my listening to the hearing, it appears as though there was a lack of information on their part, is it because we weren't communicating it properly or they just weren't reading it?

[GM Bordallo] I think that there's a combination of things. We are communicating as we should be through the reports generated and submitted through the Joint Information Center (JIC) for distribution. Our twice daily reports are included in that. I don't think that those are easily digestible and I don't know if that's what the complaint is.

There was also one senator who indicated that even the Mayors are having a difficult time communicating because of the lack of general telecom services. People don't have access to what they would normally have access to. Radio stations weren't mentioned but of course they are not on the air.

[Chairman Duenas] They did just return to the air, just yesterday.

[GM Bordallo] There was a sense of that but the primary focus was when can we expect to have water to everybody.

There was a little bit of explaining of basic physics on how the water system works but I don't know that that made much of a difference.

[Chairman Duenas] But you tried?

[GM Bordallo] I did.

[Chairman Duenas] Okay. Any other questions? Did you have anything else to say, if not, we can adjourn.

[GM Bordallo] I find myself quite speechless.

6. ANNOUNCEMENTS

6.1 NEXT CCU MEETINGS:

Meeting Name	Day	Date	Time
GWA Work Session	Tuesday	July 18, 2023	8:30 a.m.
GPA Work Session	Thursday	July 20, 2023	8:30 a.m.
CCU Regular Meeting	Tuesday	July 25, 2023	5:30 p.m.

7. ADJOURNMENT

[Chairman Duenas] Motion to adjourn?

[Comm. Frances] Motion to adjourn.

[Comm. Martinez] Second.

[Chairman Duenas] All in favor say "aye"?

[Commissioners] "Aye"

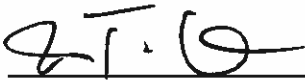
[Chairman Duenas] This meeting is adjourned. Thank you, Miguel, thank you!

Adjournment at 6:29 p.m.

ls\

R. Diaz

Attested



Joseph T. Duenas
CCU Board Chairman



Pedro Roy Martinez
CCU Board Secretary