



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, April 25, 2023

MINUTES

1. CALL TO ORDER

The Chairman called the regular board meeting to order at 5.36p.m. All Commissioners are present, with the exception of Vice-Chairman Francis Santos, who is excused. He further stated that the meeting will start with Guam Power Authority, since they only had three items for consideration tonight, with one being a joint resolution with Guam Waterworks.

Commissioners Present:

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

Excused:

Francis Santos, Vice Chairman

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 IV
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

2. APPROVAL OF MINUTES

3. PUBLIC COMMENTS

No public comments were presented at this meeting.

GPA

4.1 GM Report

4.2 Financial

4.3 Resolution FY2023-16 Levelized Energy Adjustment Clause (LEAC) for the Period Starting June 01, 2023 to January 31, 2024

GPA proposes to reduce the LEAC factor to \$0.248145/kWh for the periods of June 1, 2023 through January 31, 2024. The most recent Morgan Stanley market projects the average fuel price is expected to be \$113.16/bbl for the period ending January 31, 2024. Projected over-recovery for the same period at the proposed reduced LEAC rate of

\$0.248145/kWh is about \$10 thousand. The LEAC is billed and collected thru the monthly electric billings of our customers. The objective is to meet the June 15, 2023, PUC deadline for LEAC filing.

Motion to amend line ten of page 2 to add dollars after the word thousand **Resolution No. FY-2023-19 – Levelized Energy Adjustment Clause (LEAC) for the Period Starting June 01, 2023 to January 31, 2024**, was made by Comm. Simon Sanchez -no opposition. [Aye= 4, Nay= 0, Absent = 1]

Motion to approve **Resolution No. FY-2023-19 – Levelized Energy Adjustment Clause (LEAC) for the Period Starting June 01, 2023 to January 31, 2024**, was made by Commissioner Sanchez and seconded by Comm. Pedro Roy Martinez – no opposition. [Aye = 4, Nay = 0, Absent = 1]

4.4 Resolution FY2023-17 Pre-Development Study for Liquefied Natural Gas Under the EPCM Contract

Since 2008 Liquefied Natural Gas (LNG) has been recommended as an alternative fuel that would address fuel diversification and reduce costs. The Ukudu Power Plant is a dual-fuel capable power plant that is designed to operate on ultra-low sulfur diesel (ULSD) or natural gas. It is estimated that the period from the pre-development study to commissioning of an LNG terminal will take over 5 years. A pre-development study will update prior studies to firm up the site selection options, viable technical LNG terminal options and estimated project costs. It will also update supply costs estimates, initiate supplier outreach and develop potential vendor listings. The location for this project is Apra Harbor. The Pre-Development Study is estimated at \$1,809,000 for Phase I of a multi-phase LNG scope: Phase I: Pre Development \$1,809,000; Phase II: LNG Infrastructure Procurement 1,731,000; Phase III: LNG Infrastructure Implementation 391,000; Subtotal: \$3,931,000; Phase IV: Option LNG/CNG Transshipment 253,000; Total: 4,184,000. The study is expected to take 12 months and funding source is CIP. The ECPM contract was awarded in December 2022 to Stanley Consultants from re-solicited RFP-21-010. LNG tasks were excluded in the initial contract award to allow more time to review the LNG scope.

Motion to approve **Resolution FY2023-17 Pre-Development Study for Liquefied Natural Gas Under the EPCM Contract**, was made by Comm. Michael Limtiaco, seconded by Comm. Sanchez. [Aye = 4, Nay = 0, Absent = 1]

4.5 Resolution FY2023-18 (GPA) / Resolution No. 25-FY2023 (GWA) Authorizing the Management of the Guam Power Authority and Guam Waterworks Authority to Procure Merchant Banking Services

Request to issue an Invitation for Bid (IFB) to provide merchant services to GPA and GWA, and GSWA as a means for collecting customer payments through debit and credit cards at the various utility cashier sites, thru the Pay-by-Phone, and online options. In April 2022, GPWA awarded its current Merchant Services contract to First Hawaiian Bank (FHB) for an initial period of one year with an option to extend the contract for four additional one-year periods. GPWA and FHB mutually agreed not to elect the option to extend the merchant banking services contract. The current contract will expire in April 2023 and FHB has agreed to extend

their services through June 30, 2023 to allow for the procurement of merchant banking services.

How long will it take? The procurement of service should be completed before July 1, 2023 and the term of the agreement is for one (1) year from the time of implementation with options to renew for four additional one-year periods.

Motion to approve **Resolution FY2023-18 (GPA) / Resolution No. 25-FY2023 (GWA) Authorizing the Management of the Guam Power Authority and Guam Waterworks Authority to Procure Merchant Banking**, was made by Comm. Michael Limtiaco, seconded by Comm. Sanchez. [Aye = 4, Nay = 0, Absent = 1]

5. GWA

5.1 GM Report

5.2 Financial

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

5.4 Resolution No. 18-FY2023 - Relative to Approval of the ID/IQ Undersized Waterline Replacement Design/CM Contract - Verify

5.5 Resolution No. 20-FY2023 - Relative to Approval of the Indefinite Delivery/Indefinite Quantity Implementation of District Metered Areas Design and CM Contract

The Water Loss Control Program Development and District Metered Area Implementation Plan was prepared to reduce non-revenue water and to provide a long-term sustainable system to monitor and manage water losses throughout GWA's water supply and distribution network. District Metered Areas (DMA) are discrete area of a water supply and distribution network in which the water flow entering or leaving a specific area (DMA) is measured by flow metering devices. The Water Loss Control Program Development and District Metered Area Implementation Plan proposed 36 DMAs for implementation throughout the island. A list of DMAs can be found in Appendix A, Table 2-01: Proposed DMAs – Basic Infrastructure Data of the Plan. This is necessary in order for GWA to reduce water losses in the system. DMAs will enable GWA to determine non-revenue volume and quantify water losses in each DMA, which will allow GWA to focus leak detection, repair, and construction resources to specific areas. The selected Architect-Engineer firm will provide Design and Construction Management services for the project. Task orders shall be issued to design the DMA infrastructure and to perform construction management services during construction island wide. The fee proposal is for \$3,119,377.00; however, GWA intends to only award \$1,500,000.00 using USEPA Grant funding. GWA anticipates additional funding from USEPA yearly. Design and construction management services are for 5 years. The funding shall be from USEPA Grants. RFP-07-ENG-2022, of the 17 firms who registered, only 6 firms submitted proposals of these, Duenas, Camacho, and Associates, Inc. recommended for award.

Motion to **Resolution No. 20-FY2023 - Relative to Approval of the Indefinite Delivery/Indefinite Quantity Implementation of District Metered Areas Design and CM Contract** was made by Comm. Michael Limtiaco second by Commissioner Peter Roy Martinez – motion carried. [Aye = 4, Nay = 0, Absent = 1]

5.6 Resolution No. 22-FY2023 - Relative to Approval of Additional Funding for the Tank Repair and Bypass Project

To perform major repairs to the Pigua Merizo tank to achieve sanitary, structural, and safety compliance. The tank is part of the Order for Preliminary Relief Re: Deadlines for Outstanding Projects Under the Amended Stipulated Order. Repairs will include the following: tank floor replacement, roof purlin/rafter replacement, interior and exterior ladders replacement, anchor bolt replacement, new interior coating, new exterior coating, and other miscellaneous metal repairs and site upgrades. Located at Pigua-Merizo Reservoir. Requesting additional \$1,308,687 to fund major repairs. Cost includes a 15% contingency. The anticipated performance period is 240 calendar days. Funds will come from: CIP PW 09-09: Water Reservoir Internal/External Corrosion Assessment Program, and CIP PW 09-11: Water System Reservoirs 2005 Improvements.

Motion to **Resolution No. 22-FY2023 - Relative to Approval of Additional Funding for the Tank Repair and Bypass Project** was made by Comm. Michael Limtiaco second by Commissioner Peter Roy Martinez – motion carried. [Aye = 4, Nay = 0, Absent - 1]

5.7 Resolution No. 23-FY2023 - Relative to Approval of Amendment for the Indefinite Delivery/Indefinite Quantity Professional Utility Management and Financial Consulting Services Agreement

GWA awarded the Gallardi-Rothstein Group an indefinite delivery, indefinite quantity utility management and financial consulting services contract in response to RFP 2020-01. An amendment to provide additional funding authorization in order to comply with requirements of the PUC ordering provisions for the FY20-FY24 Rate Case, to complete necessary work for the update of GWA's Water Resource Master Plan, and to prepare for the resulting next 5-year Financial Plan and Capital Improvement Program. This work is necessary and urgent to meet existing regulatory requirements and plan for upcoming priorities. GWA would therefore like to issue additional task orders for support of the following: GWA-Navy Utility Service Agreement contract development and negotiations; Update of Financial Planning Section of Water Resources Master Plan; Rate Model Integration with 20 Year Strategic Financial Planning; Five Year Financial Plan for FY2025-FY2029; Comprehensive Review and Update Initiatives including Customer Assistance Program, Commercial Paper Program, Bond Authorization, Management Audit; Revenue Bond Refunding. The consulting work performed will impact GWA operations as a whole. Resolution 24-FY2021 approved an additional \$500,000 to the existing authorized contract amount of \$979,689, bringing the total authorized amount to \$1,479,689. Additional work to be performed on a time and material basis for the task orders listed above is estimated to be \$514,986 bringing the total authorized funding to \$1,994,675. Anticipated completion: GWA-Navy Utility Services Agreement June 2024; Update of Financial Planning Section of Water Resources Master Plan June 2023; Rate Model Integration with 20 Year Strategic Financial Planning Dec 2024

Motion to **Resolution No. 23-FY2023 - Relative to Approval of Amendment for the Indefinite Delivery/Indefinite Quantity Professional Utility Management and Financial Consulting Services**

Agreement was made by Comm. Michael Limtiaco, second by Commissioner Pedro Roy Martinez – motion carries. [Aye = 4, Nay = 0, Absent = 1]

5.8 Resolution No. 24-FY2023 - Relative to Approval of FY2023 Budget Amendments and Rate Stabilization Fund Transfers

The GWA FY2023 O and M Budget was approved by the Consolidated Commission on Utilities (CCU) through Resolution 32-2022 on September 27, 2022. The approval included a 5.5% rate increase effective October 1, 2022, across all rate classes, excluding Lifeline Rates. Operating Revenue was projected at \$108.5 million. Additionally, management was authorized to supplement revenues as needed for operations with an additional \$12.4 million in American Rescue Plan Act funds and \$2.9 million from GWA's RSF, for a total source of budgetary monies of \$123.8 million.

The CCU previously authorized management to transfer up \$11.4 million into the RSF to meet operational and debt service coverage requirements impacted by reductions in revenues due to the COVID-19 pandemic and further exacerbated by delayed approval, and reduction of, rate relief requested from the Public Utilities Commission (PUC). Management transferred \$7 million of RSF money for FY22 operations; \$1.3 million to date for FY23. The remaining balance of RSF is \$3.1 million.

The FY23 approved operating expenses are \$100.2 million to include \$28.2 million in utilities, \$24.7 million in salaries and benefits (net of capitalized labor), \$27.7 million in depreciation, \$11.4 million in administrative and general expenses, \$4.9 million in contractual costs and \$3.3 million for retiree expenses. Debt service payments are \$39 million.

Management anticipates the need to supplement FY23 revenue with the remaining RSF balance of \$3.1 million plus an additional \$3.7 million to pay for a projected increase of \$6.8 million in FY23 operational expenses.

Management now seeks to adjust its FY23 budget with the following amendments:

- Increase authorized expenses by \$7.3 million from \$100.2 million to \$107.5 million;
- Authorize additional transfers from GWA's Capital Improvement Fund (prior period balances) to the RSF in the amount of \$3.8 million; and
- Increase authorized use of Rate Stabilization Fund (RSF) for FY23 from \$2.9 million to \$8.1 million as needed.

The historical and requested RSF activity is summarized in the table below:

The Capital Improvement Fund (CIF) is the account to which any excess revenues are deposited after meeting requirements of the bond indenture. Funds in the CIF can be used for any lawful purpose upon request by GWA. The objective of this request is to amend the FY23 Operations and Maintenance Budget to cover an estimated budget shortfall of \$7.3 million, without compromising other expense categories. The shortfall stems primarily from underestimated power costs. The \$21.6 million power budget was based on an average monthly consumption of 4.9 million kilowatt hours (kwh) at an aggregate cost of \$0.36 per kwh. Actual average consumption is 5.1 million kwh at an aggregated cost of \$0.44 per kwh.

The existing budget is insufficient given the unexpected \$5.76 million increase in power expense and inflationary increases to critical inventory, materials and supplies. GWA continues to exercise cost containment measures; however, fuel and inflationary increases are beyond GWA's control. Additionally, transfers from the RSF continue to be necessary to meet

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the required debt service coverage of 1.30x. The Rate Stabilization Fund is set up as a separate account under control of the trustee. Cost breakdown:

1) \$7.3 million in additional budget authorization for Operations & Maintenance expenses is requested.

2) Authorization to transfer \$3.8 million from prior period balances in GWA's Capital Improvement Fund to the Rate Stabilization Fund is requested.

3) Authority to use up to \$8.1 million in RSF monies for the FY2023 budget.

Completion will be at the end of the Fiscal Year, September 30, 2023. Transfers out of the RSF into the GWA general fund will only be made if it appears the DSC may fall below the required 1.30x coverage. The increase in the budget will be funded by transfers from the Rate Stabilization Fund (to include \$3.8 million from Capital Improvement Fund). Funds would be transferred from the GWA Rate Stabilization Fund into the GWA General Fund.

Motion to **Resolution No. 24-FY2023 - Relative to Approval of FY2023 Budget Amendments and Rate Stabilization Fund Transfers** was made by Comm. Simon Sanchez, second by Commissioner Limtiaco – motion carried. [Aye = 4, Nay = 0, Absent = 1]

5.9 Resolution No. 25-FY2023 (GWA) / Resolution No. FY2023-18 (GPA) – Relative to Authorizing the Management of the Guam Power Authority and Guam Waterworks Authority to Procure Merchant Banking Services - Noted above on Item 4.5

Motion to approve **Resolution No. 21-FY2023 (GWA) / Resolution No. FY2023-16 (GPA) - Relative to Authorization to Establish a Bank Account with the Bank of Guam (BOG) to Deposit Collections from Customers in the Cannabis Industry** was made by Vice Chairman Francis Santos, second by Commissioner Limtiaco – motion carried without further discussion. [Aye = 5, Nay = 0]
Approval above presented by GPA

6. OTHER DISCUSSION

7. ANNOUNCEMENTS

- 7.1 Next CCU Meetings:
 - Tuesday, May 16, 2023 at 8:30 a.m. - GWA Work Session
 - Thursday, May 18, 2023 at 8:30 a.m. - GPA Work Session
 - Tuesday, May 23, 2023 at 5:30 p.m. - CCU Meeting

8. ADJOURNMENT

Commissioner Michael Limtiaco made the motion to adjourn – meeting adjourned at 6:15pm with no opposition.

//s/ Candice B. Ananich

Attested:



FRANCIS E. SANTOS, Vice-Chairman



PEDRO ROY MARTINEZ, Secretary

Approved: 01.23.2024