



CONSOLIDATED COMMISSION ON UTILITIES

Guam Power Authority | Guam Waterworks Authority
P.O. Box 2977 Hagatna, Guam 96932 | (671)649-3002 | guamccu.org

REGULAR BOARD MEETING CCU Board Room, Gloria B. Nelson Public Service Building 5:30 PM, Tuesday, February 27, 2024

MINUTES

1. CALL TO ORDER

Chairman Duenas calls the CCU Regular Board Meeting to order on February 27, 2024, at 5:53 PM. For purposes of establishing a quorum, Chairman Duenas, and Commissioners Sanchez and Martinez are present in the CCU conference room. Commission Limtiaco is present via GoTo Meeting and Commissioner Santos is excused.

Commissioners:

Joseph T. Duenas	Chairman
Francis E. Santos	Vice Chairman (Absent – excused)
Pedro Roy Martinez	Secretary
Michael T. Limtiaco	Commissioner (GoTo Meeting)
Simon Sanchez	Commissioner

Executive Mgmt.:

Miguel Bordallo	GM/GWA
John Benavente	GM/GPA
Chris Budasi	AGMA/GWA
Thomas Cruz	AGMO/GWA
Jeanet Owens	AGME/GWA
Jennifer Sablan	AGMO/GPA
John Kim	CFO/GPA
Taling Taitano	CFO/GWA (GoTo Meeting)
Gilda Mafnas	Acting CFO
Therese Rojas	Legal Counsel/GWA
Marianne Woloschuk	Legal Counsel/GPA (GoTo Meeting)

Management & Staff:

Ann Borja-Gallardes	MA/GWA	Vladimir Navasca	IT/GPA
Candice Ananich	MA/GWA	Vien Wong	IT/GPA
Mauryn McDonald	Engineering/GWA	Lourissa Gilman	UBS
Reginald Diaz	MA/GPA		

Guest:

David Castro	Guam Daily Post
Annmarie Muna	AM Insurance

2. APPROVAL OF MINUTES

First order of business is approval of minutes. Commissioner Sanchez moves to approve meeting minutes for August 23, 2022; Comm. Martinez second. Approval subject to written correction.

With no further questions, Chairman Duenas calls for the vote, motion passes with four Ayes, including Comm. Limtiaco, online. [Aye = 4, Nay = 0, Absent = 1]

Commissioner Sanchez moves to approve meeting minutes for November 28, 2023; Comm. Martinez second. Approval subject to written correction.

With no further questions, Chairman Duenas calls for the vote, motion passes with four Ayes, including Comm. Limtiaco, online. [Aye = 4, Nay = 0, Absent = 1]

Commissioner Sanchez moves to approve meeting minutes for January 23, 2024; Comm. Martinez second. Approval subject to written correction.

With no further questions, Chairman Duenas calls for the vote, motion passes with four Ayes, including Comm. Limtiaco, online. [Aye = 4, Nay = 0, Absent = 1]

3. PUBLIC COMMENTS

No public comments.

4. GWA

4.1 GWA Resolution No. 10-FY2024 Relative to Approval to Procure Design-Build of Upper Tumon Campus Improvements – Chairman Duenas states, GWA Upper Tumon Campus Improvements project is needed to make necessary repairs, rehabilitation and renovations of the Customer Service Center, Compliance Laboratory, Warehouse and Meter Testing Facility which will be implemented in two phases. Phase I is comprised of Warehouse Rehabilitation and Meter Testing Facility Repair and Phase II includes the Customer Service Center Renovation and replacement of essential laboratory equipment.

Comm. Sanchez asks, how will the project be funded? AGME Jeanet Owens states, GWA intends to use multiple sources including bonds funds, Internal Funded Capital Improvement Project (revenue) funding, FEMA Public Assistance Program funding, GWA Property Insurance Claims. With FEMA and insurance, GWA has to bill the improvements and submit an invoice and the estimate of damages is roughly less than a million dollars. So based on what the actual market cost is to actually build it that's what we will be submitting.

The Upper Tumon Warehouse was constructed in 1993. Normal wear in Guam's tropical environment over the span of 30 years contributed to deterioration of roofing and other structural components. In May 2023, Typhoon Mawar caused additional damage to the Warehouse and Meter Testing Facility affecting the integrity of stored materials and the safety for occupants of both buildings.

The existing Customer Service Center that houses both GWA and GPA personnel, has not seen significant renovation or rehabilitation for many years, and renovations are necessary to improve customer experience, working conditions for utility personnel, and to meet current requirements of the building code, fire/safety code, and other relevant code standards. The GWA Compliance Laboratory has three laboratories served by a special laboratory ventilation and exhaust systems, components of which are beyond their useful life or no longer meet current standards. Replacement

of equipment in the laboratory is necessary to meet acceptable indoor air quality requirements and ensure continued operation of the laboratory.

The objective of this project is to procure the design-build renovation/rehabilitation and repair of these facilities in the following phases:

1. Phase I - Upper Tumon Warehouse and Meter Testing Facility
2. Phase II – Upper Tumon Customer Service Center and Laboratory Equipment Replacement

Comm. Sanchez moves to approve Resolution 10-FY2024 relative to approval of Design-Build of GWA Upper Tumon Campus Improvements; Comm. Martinez second.

With no further discussion, Chairman Duenas calls for the vote for Resolution 10-FY2024, motion passes with four Ayes. [Aye = 4, Nay = 0, Absent = 1]

4.2 GWA Resolution No. 11-FY2024 – Relative to Approving the Five-Year Financial Plan and Capital Improvement Program – Chairman Duenas states, the Guam Waterworks Authority (GWA, the Authority) has prepared its fourth consecutive Five-Year Financial Plan (Financial Plan) to support the continued improvement of the operations and maintenance of the Authority, invest in critical infrastructure, and enhance GWA’s financial stability while ensuring just and reasonable rates. The CCU’s approval of the Financial Plan is necessary and urgent to authorize and enable the Authority to obtain necessary resources to continue its operations and to timely meet regulatory compliance requirements, including the Clean Water Act (Consent Decree compliance), impending additions to federal Safe Drinking Water Act (PFAS) and local regulations for emerging contaminants (Dieldrin).

On September 28, 2023, the Public Utilities Commission (PUC) ordered GWA to provide its next multi-year rate plan on or before April 1, 2024. Because of the notice requirements in the Ratepayers Bill of Rights, GWA requested, and PUC agreed to modify the order to allow for an advance draft of the rate plan to be provided on or before March 4, 2024, and the final submission of the rate plan on or before June 3, 2024. GWA believes this schedule will help to facilitate the review and approval of the rate plan before the start of FY2025. Comm. Martinez motions to approve Resolution 11-FY2024 relative to approving the Five-Year Financial Plan and Capital Improvement Program; Comm. Sanchez second.

Comm. Sanchez states, we spent 20 years to spend the first billion. One of the challenges is trying to compress the next billion, about 900 million, trying to compress the next \$900 million into a much shorter time frame than 20 years. USEPA has got some pressure on us, we want to do this but affordability becomes a real concern. Projects will pop up that what we thought we had to do in 2005 wasn't the same list that we ended up finishing by 2020...things emerged and, in this case, part of this \$900 million is for PFAS. How much how much of the \$900 million has to go dealing with PFAS which has recently been required by USEPA? GWA GM Bordallo responds, my estimate at this point is roughly 23% of the total will go towards the treatment of emerging contaminants to include PFAS as well as other locally regulated contaminates for which we expect regulations to be promulgated in the next several months. Comm. Sanchez replies, less than a 25% of this Capital Plan is to deal with contaminants that USEPA is now requiring us to deal with and remove. To put another way, 25% of the rate increases that will be necessary to fund these types of projects is going to be used to pay for dealing with these contaminants. If we didn't have these contaminants, this would be a smaller borrowing a smaller project. But it has to be addressed... 25% of this is just to deal with these emerging contaminants the most of which is the PFAS issue. The entire country is facing this issue. Another one of the biggest complaints and concerns is water loss. Out of this \$900 million, Miguel, how much of a percentage is going to deal with water loss. GM Bordallo states, approximately 22% to 23% is allocated for water distribution improvements. The bulk of which will be line replacement projects to assist us with reducing the water losses. Comm. Sanchez asks, so half of the money is for water loss

and contaminants, what is the other half of the \$900 million going to be used to fix for our rate payers? GM Bordallo responds, approximately 30% will be allocated towards wastewater collection system improvements that are a requirement under the recently filed partial consent decree. It also addresses capacity issues, undersized lines that may be fine but they just need to be upgraded and expanded. It also includes in addition to the gravity lines it also includes sewer pump station force mains and the sewer pump stations themselves. None of which have been addressed in prior compliance actions. The court order focused on mostly the wastewater treatment plants and the production wells and water storage reservoirs. This compliance action is focused on the collection system to the tune of 30% of the proposed Capital Plan. The remaining portion is allocated towards the required regular maintenance and rehabilitation and repair of our water storage facilities. Also, addressing major equipment replacements for our wastewater treatment plants, most notably, the Hagåtña Wastewater Treatment Plant. Then advancing our SCADA systems across all of our facilities and establishing a greater amount of connectivity which hopefully will reduce O&M costs. Also, assist us with the water loss control program and then general plant improvements which includes heavy equipment, light vehicle fleet, and other facility improvements for general facilities.

Comm. Sanchez asks when you raise that amount of money, \$800-\$900 million, how fast can you build it? GM Bordallo states, it will be obligated within the 5-year planning period. The construction will lag obviously depending on project execution. The one thing to note about the magnitude, you mentioned 20 years for the first billion and you're compressing into five years this the same amount, keep in mind that construction costs have increased significantly so you're not getting the same "bang for the buck". For the amount that we have presented in the 5-year plan, does not necessarily reflect the same amount of work that was done with the first 20 years...just to your point about the comparison. Comm. Sanchez states, point well-made. My only concern as I review the rate of the rate increases that have to be imposed upon rate payers when they too have their challenges in order for us to raise the funds to borrow this amount of money. I want to make sure that you also look if the people can't afford the rate pace of the rate increases. You can't price water beyond the reach of people just to complete the list of projects. We don't want to be in a position where Tan Maria can't afford the water rate in year 2028 or 2029. Even though we need to complete the list, what are we going to do turn off their water? We don't want to be put in that position where EPA is happy but no one can afford the projects on the list. That becomes my concern when I look at the rate hikes and the source of these funds. Whether we bring down the level of rate increases and maybe delay the borrowing a little bit... I'd like to see being involved with a better discussion. I do worry about affordability for the average citizen and the businesses that use water including laundries but hotels, tourism, and then the average citizen. The water bill was clearly underpriced but it's reaching a point where all of us are looking at it and, wow, that's the new water rate. And now, we want it to go up 40 or 50% over the next 5 years. Comm. Sanchez asks CFO Taling Taitano to look at how fast did rates go up when we started borrowing in 2005 through 2020 and then let's glue on these next five years? That will show us how fast rates went up for the first billion and how fast rates would go up for the second billion. I'd like to look at that pace a little bit. That'd be one of my concerns before I give my complete support for the resolution.

Comm. Limtiaco states, he had the same concerns during the work session. I had asked for information regarding you know the adoption of the wage survey that Alan Searle did. Correct me if I'm wrong, Taling, but on our working session you had mentioned that it does incorporate the new wage survey? CFO Taitano states, yes, the migration is built into the salaries and wage projections. Comm. Limtiaco also states, I asked for today's meeting if you can quantify the percentage and so Miguel's already explained roughly the 250 percentiles contribute but what percentage of the adoption of the new wage survey plan what percentage is that overall, of the rate increases? CFO Taitano states Gilda and Yvonne we're working on this. Assistant CFO, Gilda Mafnas, we're going to defer the response because

we need some clarification from the consultant. The exact estimation for the migration amount versus the increases in total revenue. Chairman Duenas asks, what's the total amount of that five-year plan? Acting CFO Mafnas states, I believe the schedule, it's about \$3.7 million. AGMA Chris Budasi states, I believe it was in the neighborhood of \$7.6 million for over five years to the 50th percentile. We're requesting to implement in July so the first year would be compressed down to about \$360,000 versus I think it was \$2 something million. So, over the course, salaries will increase roughly by about \$7 million over five years. It will be done incrementally. Assistant CFO Mafnas states the total payroll for GWA is about \$23 million. AGMA Budasi states, my recollection is salaries and benefits I believe it's \$40 million by the end of the 5-year period. Acting CFO Mafnas states, \$23 million salaries and benefits. Then by 2024 it's going to be like \$25 salaries and benefits. AGMA Budasi responds, if you look at schedule A2, page 154, under cash uses, if you look at fiscal 2025 salaries and benefits \$33 million ending in fiscal 2029 at \$40,547,000. It's a 20% increase over five years.

Chairman Duenas states, I didn't vote on that resolution but I like that resolution. I consider it an important thing again to attract retain and build succession for our staff. I think it's an important thing and we never got to get to 50% so I think this is an effort that I encourage both GWA and GPA to do come up with a five-year plan and get to the 50th percentile. This is a 20% increase over five-years that gets our people to the 50th percentile. a commitment that we made as a commission and I support it I wasn't here but I support it. I support this for the people we have working for us. The goal was to attract retain and build succession build people moving up right.

Comm. Sanchez asks GM Bordallo and CFO Taitano to clarify, I'm looking at the first whereas and it's a 61% rate increase over 5 years. GM Bordallo states, that's correct for the cumulative amount we did not have the numbers finalized when the media was asking specifically for the range and the 50% was just an order of magnitude estimate of where the range might be. The correct numbers are what's in front of you for the five-year planning period. Also clarified after a 61% rate increase over five years, the average water bill is still going to be below 4% of median income of water and sewer combined. GM Bordallo states the analysis is not part of the schedules but I can provide the calculation. In response to Comm. Sanchez' inquiry, GM Bordallo does not have the exact numbers in front of him at the time, but the average water usage a month is closer to 5K gallons per month for approximately 50% of our residential customers but the metric that you're talking about with the median household income that USEPA sites contemplates about 7,000 gallons in annual average household usage. According to GM's recollection, approximately 50% of our residential customers use less than 5,000 gallons a month. As mentioned, the exact numbers are not in front of him but GM states, I think it would be safe to say that our average is probably lower than the US EPA cited 7.5k gallons per month. My calculations of median household income are based on the 7,000 gallons so even at that rate which is higher than what I would say our average customers use is below the 4% for combined water and wastewater.

In addition, an iterative analysis has been conducted to try and figure out the proposed funding sources for the Capital Improvement Plan and the balance that has been struck here seeks to target the minimum amount of debt financing for the Capital Improvement Program as possible. We want to borrow as little as possible with the amounts that are here given. We are currently allowed to do under statute which is straight revenue bonds and no short-term construction financing so just given what we are currently allowed under law to do the minimum amount of borrowing in order to strike the correct balance is \$780 million in bonds over the next five years with issuing in year one, year three, and year five. With those levels of borrowing, the debt service coverage requirements under the indenture will dictate what the proposed rate increases are. For that minimum amount of borrowing, the debt service coverage will require the rate increases that we have proposed. As a result of those rate increases, in order to maintain the debt service coverage, we will be generating revenues

that exceed our O&M expenses. That's the whole point of the coverage. But, in doing so, we have those excess revenues available to reinvest into the system which is represented by our source of funds as internally funded CIP or Revenue Funded. Those rate increases generate sufficient revenues for us to pay out of our revenue stream \$115 million towards the Capital Improvement Program. If we didn't spend it on Capital Improvement Programs, we would still generate the revenue based on the rate increases. If so, the concept, even though it's counterintuitive, the concept of not investing Revenue money into Capital Improvement Program and instead borrowing that amount, only increases the Debt Service, increases the bond amount which then increases the debt service and by the debt service coverage ratio will further increase revenues. So, it's excess revenues that are generated, but it does not make sense to not invest it back into the Capital Improvement Program. So, you would be borrowing, more paying more than as a result of the debt service coverage requirement generating more revenues but not spending those excess revenues and that doesn't make any sense.

GM Bordallo continues, if I could make a point just about Comm. Sanchez prior comment about increased debt service coverage of 1.75, I think is what you were referring to keep in mind that the CCU and PUC calculation for that higher debt service included the use of a reserve fund which the increased rates the excess revenues got sunk into a reserve fund and that Reserve Fund was used to calculate that that 1.75 according to CCU and PUC policy. The rest of the financial world does not calculate debt service coverage that way and that's the reason why we align our calculation now, to if you recall, the way everybody else does it and we reset the coverage targets to 1.5 which has been temporarily suspended to 1.3. I just wanted to point out that that 1.75 reference involved a reserve which we no longer have and which we don't necessarily want to have. The Debt Service is indicated on schedule A2 of attachment C page 154, schedule 82.

GM Bordallo states, if I could make a point with respect to reducing the overall rate increases to 50%, the biggest impact would be to our ability to borrow. So, we would not be able to borrow the 780 million...so essentially what that means is we could we could reduce it to that amount we could play with The Debt Service coverage but essentially, we would not have enough to finance the capital program. So, something would have to drop off the list. That the analysis that you're suggesting is contemplating the same borrowing structure and just to clarify because of the way we procure we have to have the funds in place before we procure. But, when we go out for bonds, because we can only do long-term bond financing, we borrow the amounts we project we're going to need over the next several years upfront right and that is the reason for the large upfront rate increases is to cover the debt service for that bond borrowing. If the biggest impact to smoothing out these rate increases, if that is the goal, would be to implement alternative financing schemes such as the tax-exempt commercial paper which we proposed in the last five-year rate plan that short-term borrowing to align the amounts we actually need to procure and execute the projects and only pay interest on what we draw down and not the entire bond amount. That would have the largest single impact in smoothing out the rate increases which we again we proposed in the prior five-year rate plan we have re-engaged our oversight chair at the legislature to include that in draft legislation which we are hoping to get passed within this year and that would give us the ability to reduce the proposed rate increases. Comm. Sanchez states, well then then then our goals are the same we would all like to reduce the rate increase but the challenge of tonight's resolution. The other way to do it is you borrow the money a little slower. If we borrowed the money slower and did the projects a little slower so that we keep it affordable for rate payers. GM Bordallo adds, the short-term borrowing would allow us to do that. We have to present to the PUC what we can do under current statute. It doesn't mean that we can't change what ultimately gets done but until we get the legislative authorization to implement that short term a borrowing solution, that alternative financing strategy. For everything that can be deferred for example if you wanted to defer 25% of the Capital Improvement Program and not do

water loss right now that's something that could be done it's not a regulatory compliance item but there are other things that we have to get done by regulation.

GM Bordallo responds, as a rough approximation about 30% or maybe 35% is not regulatory and that that includes the 23% for the water loss. Comm. Sanchez responds, theoretically 30% of the projects on this list could be delayed a little bit but in terms of affordability and helping our rate payers deal with the part we have to fix arguably you could say well 30% of this \$900 could be pushed off a little bit, I agree with the chairman, it may mean we have water loss a little bit longer but we're dealing with the regulatory part which is USEPA's requirement. Mr. Chairman, let's table this and deal with it Monday, Tuesday as they're back but I'd like to see what would be the impact of instead of a 70% rate increase show us a 40% and a 50% rate increase. And, what projects would be sacrificed... focus on the regulatory up front and delay some of the others. Chairman Duenas states he doesn't want to delay, I want the whole 71% because I want to fix it. GM Bordallo asks, if I can make one clarification, the question that was posed with regard to compliance, meaning USEPA or Guam EPA required, I was trying to say and clarify, that the water loss is not an environmental compliance or Safe Drinking Water compliance issue but, it is an issue and we are under orders from the Public Utilities Commission to report semiannually on water loss and there are ordering provisions which in the recent history of rate cases which require us to address and reduce water loss. It is a regulatory requirement under the Public Utilities Commission. Comm. Sanchez states, let's make it clear, no one in this room doesn't want to do the list. The only debate we're having is how fast we achieve the upgrade of this water and wastewater system and we want to achieve it in a way that the rate payers can best afford it. I say best afford means your rates going up but should it go up 71% in 5 years 60% in 5 years 50%, 40%...I think we owe the rate payers some analytics about that.

Chairman Duenas asks, if we went with the current rate proposed rate increase what would be the rate for the ¾ in residential five 5,000 gallons? Acting CFO Mafnas states, currently it is \$74.45 for a residential of 3,000 gallons. And what would it go to it will go to \$83.55. Chairman Duenas further asks, if you took a minimum wage earner at \$9.50/hr., and you took out Social Security, FICA that would give me \$8.54, how long would a minimum wage earner have to work to pay his water bill? GM Bordallo states, 9.6 hours a month. Chairmans Duenas states, it will take 9.6 hours to earn enough money to pay for that new rate. This is just an example of what it will take because we are talking in percentages and percentages seems like a lot. I meant simply to explain or to demonstrate for a residential payer person paying his water bill. GM Bordallo states, I just like to point out that we would still be under the 4% benchmark for utilities of the median household income.

Comm. Sanchez states, I would like to table this and ask management to run a couple of scenarios for next week. Comm. Martinez states, I would like to withdraw my motion on this particular resolution; Comm. Sanchez second.

[With no further discussion, Chairman Duenas calls for the vote to withdraw the motion for Resolution 11-FY2024, motion passes with three Ayes. \[Aye = 3, Nay = 1, Absent = 1\]](#)

4.3 GWA Resolution No. 12-FY2024 Relative to the Approval and Recommendation to Establish a New Article 9 within 28 GAR, Chapter 2, for GWA's Sewer Hook-Up Revolving Loan Fund - As authorized by the CCU in GWA Resolution No. 08-FY2023, GWA has been working though the requirements of the public rule-making process to add a new Article 9 to 28 GAR, Chapter 2, to add the Guam Waterworks Authority's Sewer Hookup Revolving Loan Fund into the Guam Administrative Rules and Regulations. To complete the rule-making process, GWA is required to show board approval of the FINAL proposed rules and provide a certification of the entire agency record to support compliance with the rule-making procedures before filing copies of the proposed rules to the Governor of Guam,

the Attorney General, and the Guam Legislature. Resolution 12 is being introduced for the Board's review and consideration to seek approval of the FINAL proposed rules. If adopted, the rules will be added to Title 28 of Guam's Administrative Rules and Regulations to be formally added and incorporated by the Complier of Laws. There are no fees assessed by the Complier or the Guam Legislature for the adoption of these rules; however, a total cost of \$560 was paid to the Guam Daily Post for two Notice of Public Hearing publications first publicized on or about October 16, 2023. Upon approval, the final rules shall be transmitted to the Attorney General and to the Governor for initial review and approval as to constitutionality and policy and then to the Legislative Secretary for the Guam Legislature for adoption. The rules are to be adopted into law after 90 days has elapsed without action from the Guam Legislature. The initial funding source for the Sewer Revolving Fund and Loan Program of \$75,000 was provided by Guam EPA; but additionally, and by the FY2023 Budget Act, local legislation recently appropriated and additional \$2 million to support the Fund. Comm. Sanchez motions to approve Resolution 12-FY2024; Comm. Limtiaco second.

With no further discussion, Chairman Duenas calls for the vote for Resolution 12-FY2024, motion passes with four Ayes. [Aye = 4, Nay = 0, Absent = 1]

5. GPA

5.1 Resolution No. FY2024-17 Relative to the Approval of the Energy Conversion Agreement (ECA) Amendment for Ukudu Power Plant – For the record, this resolution will be tabled for a later date.

5.2 Resolution No. FY2024-18 Relative to the approval of a bond issuance to refund outstanding revenue bonds – GPA has been pursuing strategies for reducing debt service payment. One strategy that has been the concept of refunding all or a portion of GPA's outstanding 2014 Series A revenue bonds for interest rate savings After reviewing this strategy with Bank of America, GPA Bond Counsel, and Guam Economic Development Authority ("GEDA"), GPA believes this strategy has potential for providing significant benefit for GPA ratepayers. The present value of debt service on the refunding bonds shall be at least two percent (2%) less than the value of debt service on the refunded bonds, using the yield on the refunding bonds as the discount rate. Comm. Sanchez motions to approve Resolution FY2024-18; Comm. Martinez and Limtiaco second.

With no further discussion, Chairman Duenas calls for the vote for Resolution FY2024-18, motion passes with four Ayes. [Aye = 4, Nay = 0, Absent = 1]

5.3 GPA GM Report

GM Benavente begins, one point to highlight is the capacity recovery plan so that we can have power during the summer and one of the key issues of course is temporary power. We've have gone through the emergency procurement process and we have Aggreko 20 megawatts ready to contract. Unfortunately going through the whole process, there is some provision in the language of the law that limits the emergency procurement to from 60 to 90 days but in the power industry an emergency doesn't just last... therefore the Aggreko contract is for a base case of two years with three optional one-year period. I don't think we're going to need the one the optional one years although we always have it in case there are challenges. We do need the base case because that will bring this on the line in May of 2024 and that will bring the capacity two years later to May of 2026. Ukudu comes on the line commissioning in September of 2025. We basically have that six-month period for any other issues. Therefore, we should be okay with the capacity that's 20 megawatts. We reach out to the legislature and I've given a copy to the commission. We wrote everyone including the Governor, Lieutenant Governor, the Speaker and all the other Senators. I need their help at this point in time...we're ready to award this contract. The PUC will be considering it this Thursday and I believe they will approve the contract maybe upon the condition of the law...legislation being satisfied. We're

asking for much, one, to allow us from 90 days to a more...two-year period and we've shown that we can get out of this. Secondly, if there is a protest still continue with the protest process and review and do everything but allow us to continue with the work and get it done. There is no current protest...if, there is one. Third, getting reviews is necessary and as quick as possible because, I'm getting anxious, Aggreko, they have these generators that they can roll out to other customers. They're reserving some generators for us and the longer we take... remember they were asking for a five-year contract we got it down to 2-years. So, I could understand some concern on their case. I can't do anything more except get this done otherwise we start all over again and we'll have to look at other alternatives. Only one bidder came in to do it within 100 days so we can still get it done around the May time frame. Regarding the Bill, the ladies I did speak to the speaker this morning because I asked for an appointment to talk to her. Senator Parkinson did also a request for an emergency session. The Speaker, she will most likely confirm that back but hopefully, they can meet on the sixth. Legal counsel, the Governor are saying we have to change that from 60 to 90 days, this is very specific, therefore then they can recommend to the government to sign and as you said it's one small change.

GM Benavente replies to Chairman Duenas, Yigo CT is going to be here probably by the end of March. I think it's going to come on the line maybe around the middle of April. I tried to look at air freighting it but too many concerns. The other part of this temporary power, is there's some assistance that will be provided by Aggreko and repairing some of the other units up in Yigo. This is 20 but potentially repairing another 14 so that's 34 plus the 20 in Yigo that's 54 megawatts that we can have by May.

GM Benavente further adds, Mr. Chair, just for the record, I think they really have to look at the procurement. I kept saying this myself if you recall what we were going to do for in the military base 164 Acres was going to provide Renewables including batteries to 100% shifting that would have been 50 megawatts that we could have shaved the peak. That went through a two-year process and eventually, fell at 0.11 and 1/2 cents. Just that one cost the rate payers over a \$100 million. And, I keep saying this, this is not the first time, this is not the second time, but we could be in the heading to the third time.

We're trying to minimize the impact on the island but then there are a lot that are suffering from this and we also said this is going to cost about 24 million over two years. Our financial plan on this is we're not increasing the rate we're going to absorb the 12 million per year without increasing the rate. That's all I have for this report.

6. EXECUTIVE SESSION

6.1 GWA Litigation Matter

Chairman Duenas entertains a motion to Rise Up form regular session and go into Executive Session, Comm. Sanchez so moved; Comm. Martinez second.

Chairman Duenas calls for the vote, motion passes with four Ayes. [Aye = 4, Nay = 0, Absent = 1]

7. Back in open session. Chairman Duenas entertains motion to recess meeting; Comm. Sanchez motions to recess the meeting to Monday, March 4 at 5:00 PM; Comm. Limtiaco second.

Chairman Duenas calls for the vote to recess meeting, motion passes with four Ayes. [Aye = 4, Nay = 0, Absent = 1]

REGULAR BOARD MEETING
CCU Board Room, Gloria B. Nelson Public Service Building
5:00 PM, Monday, March 4, 2024
(Meeting recessed from February 27, 2024)

MINUTES

1. CALL TO ORDER

The Chairman Duenas announces this is a reconvened meeting from February, 27. Meeting is called to order on March 4 at 5:17 PM. For purposes of establishing a quorum, Chairman Duenas, and Commissioners Limtiaco, Sanchez, Santos, and Martinez are present in the CCU conference room.

Commissioners:

Joseph T. Duenas	Chairman
Francis E. Santos	Vice-Chairman
Pedro Roy Martinez	Secretary
Michael T. Limtiaco	Commissioner
Simon Sanchez	Commissioner

Executive Mgmt.:

Miguel Bordallo	GM/GWA
Chris Budasi	AGMA/GWA
Jeanet Owens	AGME/GWA
Taling Taitano	CFO/GWA
Therese Rojas	Legal Counsel/GWA

Management & Staff:

Ann Borja-Gallardes	MA/GWA
Alan McDonald	IT/GWA
Vladimir Navasca	IT/GPA
Lourissa Gilman	UBS

Guest:

Jonah Benavente	Guam Daily Post
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- 2. GWA Resolution No. 11-FY2024 – Relative to Approving the Five-Year Financial Plan and Capital Improvement Program** – Chairman Duenas states, this is the reason for the reconvened meeting. Chairman asks GM Bordallo to go over the highlights of the resolution. GM Bordallo begins, the resolution has been modified to address the analysis that was requested by Comm. Sanchez at the last meeting. In addition, there was a kind of a live one-on-one walk through with our team on the rate application model and what went into it and how the alternatives could be expressed in the model and that alternative scenario was focused primarily around the use of alternative debt financing structures, the tax-exempt commercial paper program as an example, to reduce the rate relief required over the 5-year period. So that was incorporated into the rate application model and a new schedule was added to one of the exhibits or attachment to the resolution that would be attachment C. On Board Books its 156. Attachment C is the scenario that's reflected in the rate application. Exhibit C begins on 156... page 159. So, essentially A2 the proposed and schedule A3 is the alternative. Should the alternative debt financing structure be approved by authorized at the legislature and we are allowed to use it. The bill impacts for the original proposal are shown in

attachment C on schedule L. For residential customers using 7,000 gallons the bill would go from the current rate of 111 or 112 per month to about 175 so that's a 56% instead of a 94% and that's for the customer using 7,000. Just to quantify the difference with the alternative, if we were allowed to use taxes and commercial paper the cumulative rate increase would go from 71.5% to 50% so it would be a 21.5 percentage points less of increased rates. The rate increase would be reduced by about a third right 36%. And, in that scenario I think the lifeline rate increase instead of being 12.5 in year two would be 6%.

Comm. Limtiaco asks how commercial paper tax makes that big of an impact as opposed to the current proposal? GM Bordallo states, just the difference between the two in layman's terms to liken it to a mortgage. If you're building a house and you take out a mortgage, a traditional bond the way we are currently authorized under law is, we take the mortgage out at the beginning of the process and we're paying interest and principal on that bond amount that mortgage amount from day one. What we've proposed, we're not required by law to do that, but we're authorized under law only to do the mortgage so you're paying for everything from the beginning. The tax-exempt commercial paper can be compared to the different process which is available from banks which is you take got a construction loan where you only draw down what you need to pay your contractor as he constructs. You only pay interest on that amount during the construction period to the bank and then at the end of that construction period when you've been invoice practically everything under the contract, at that point, then you take it out with a long-term mortgage and then your payments start at that point. With tax exempt commercial paper, for the beginning earlier years in the five-year rate plan, we would only be paying the interest on what we draw down which is more efficient because the way we're doing it now and the way the procurement laws are written, you have to have the money in the bank before you can procure. In this case the tax-exempt commercial allows you to have less money in the bank for each stage of the project and then when you need to encumber the full amount you have a line of credit that is essentially the money in the bank for you to move forward with the contract but then you take it out with the long-term bond at the latter part of the period.

Comm. Sanchez explains, the easily way that was explained to me...we borrow the whole hundred million even though we're only going to draw it down 20, 20, 20, 20 and then finish the project but we're accruing interest expense on that 100 million on day one. Even though Miguel's only going to draw it down on 30, 30, 30 and then that's why we went to capitalize interest so now you have two or three years of cap of interest because you borrowed the 100 million on day one you have two or three years of interest on the entire 100 million even though you didn't really need the entire 100 million on day one. He could have done 30, 30, 30 and that increases the interest expense during the construction period and then you take that out. TECP allows us to treat it like a credit card you only pay interest on what you draw down and Miguel doesn't need, from a cash flow point of view, he doesn't need \$100 million tomorrow he may need 30, 30, 30 and we only want to pay interest on 30, 30, 30 not \$100 when he doesn't draw down to the last 30 till a year or two years from now. So that that tool that financial tool is currently unavailable, Miguel tried before we authorized it before, he reminded me that we had we had tried before, it didn't go anywhere with the legislature but since we're going back to the legislature for this new round of borrowing regardless of the rate. We're going to borrow \$800...\$ 780 million or something to that effect, we're going to have to go get legislative authority for \$780 and one suggestion we seem to have consensus on Friday that I threw out was, don't just go to the legislature and ask for \$780 million in authority also asking for the TECP tool as well in the same legislation. Ask Senators, with your help this rate increase will go down by a third if you give us TECP. I think at least for those of us been the legislature, that's our best chance of giving them an incentive to give us a tool that will benefit every rate payer.

Comm. Limtiaco asks, what was the criteria on the CIP side. What did you identify as what you need to go out for bond borrowing and what would go on TCP, is it just based on consent decree requirements? GM Bordallo states, they were both based on the same CIP both scenarios. With the original proposal, we were doing three bond borrowings in 2025, 2027, and 2029. Year one, year three, and year five. With the TECP, within the five-year period, we're only doing one bond borrowing on year four or year five and so the debt service then will hit on year four or year five. The impact is not as great because you've started building up your revenues with the increases before that and so the tail end it's still less of an impact. So, the way the assumptions that were made in how we would structure the tax exempt and how much we would need in tax exempt commercial paper every year, is just based on a three-year project execution cycle where you would take a year to design and then construction and I think the assumption was the same amount or it prated amount over each year until the project was completed so the total amount for that year spread out in chunks over the three-year period. Comm. Sanchez states, that's why I thought the construction the building a house construction loan analogy is a good one the other one that was used was a credit card. You use your credit card and after three or four years you go can't pay it all off, then run to a bank and say give me a takeout loan for my credit card to draw downs. We still have to have a commitment from a lender but and we draw down as we build but we only accrue interest as we draw down not upfront waiting two years when he hasn't even been spending the money yet. The interest cost will be significantly lower which means the takeout is going to be significantly lower. If a legislature lets us use TECP, you're looking at almost reducing the current proposed rate increase by almost by a third... 35%, 36%. So there alone, one tool if the legislature gives it to us, could reduce the proposed rate increase by almost by over 30. You still would need the takeout but your takeout would be on principal and lower interest because you only accrued interest as you drew down.

Comm Limtiaco asks, but those calculations and the forecast of savings are based on some interest rate assumptions...were they conservative assumptions? GM Bordallo states, yes, they were conservative assumptions and the team worked with our underwriter to provide them with, based on current market conditions, what would be reasonable assumptions. Comm. Limtiaco asks, so the bond interest and the tax-exempt commercial paper interests are roughly the same? GM Bordallo states, no, one's higher...the bond interest would be much higher much than TECP. So that would be reflected if you compare schedule A3 and schedule A2 on the debt service line. You can see The Debt Service on A2 okay if you look at the blue heading on mid-bottom half of the page where it says debt service coverage. Look at the total debt service line in fiscal year 25 it is estimated projected to be \$46 million and then it goes to \$84 million at the end of the forecast period. If you go to schedule A3 that same line, we're at \$38 million for fiscal year 25 and then \$59 million at the end of the five-year period. The reduced rate increases still give you sufficient coverage debt service coverage but the debt service is significantly lower. Comm. Sanchez adds, the TECP financing tool is less expensive than capitalized interest because under the capitalized interest regime we take out the whole hund hundred million even though he's building it in 25, 25, 25, 25 and then on top of that you're adding two years of interest you're accruing all this interest for two years till you take it out. At least with TECP, we only accruing interest as he draws it down you have the commitment you have the \$100 million commitment but if he's going to go 25, 25, 20, or 33, 33, 33... interest on the first year is only on the first 33 million second or third. Right now, interest is on \$100 million the day after you once you once you fund it. That's an opportunity I think since we have to go back for authorization anyway, for the next borrowings, to also ask again for the legislature to help us that they could help us reduce the rate increase by at least a third if they let us use tax exempt commercial paper. We'll have to explain all of this to them but that's roughly the scenario.

GM Bordallo states, in the resolution the whereas is beginning at the bottom of page five of the resolution were revised to reflect the alternative scenario the effect of the tax-exempt commercial

paper or alternative debt financing structures. Also addresses other affordability metrics so that's through page six. All those whereas is were modified or added and then on the resolve on page eight a new resolve item number five indicates that should the board approve our proposed five-year rate plan, we are still directed to work diligently to get the alternative debt financing structures approved by the legislature. So, that we target the predicted savings that are identified in in schedule A3.

Comm. Limtiaco states there is a typo on resolve number five the word above. Atty. Rojas states the word above will be strike. Comm. Sanchez suggest on page six in the "whereas" line 22 through 25 that's where in a snapshot it says you can reduce a 71 by 21%. So, first off, move that up underneath the first "whereas" on the top of page six because we're asking management to keep working on it and find cheaper ways. Then the next "whereas" should be, we've actually identified a cheaper way. So, move the "whereas" in line 22 through 25 up to line five. GM Bordallo states, we'd have to move the prior paragraph as well because the it says such modeling and projections and it references in the previous "whereas" the modeling and projections. Comm. Limtiaco confirms, so 17 through 25 move it up to line five and push everything down.

Chairman Duenas asks for a motion. Comm. Santos motions to accept GWA Resolution 11-FY2024 to begin discussion; Comm. Sanchez second.

Comm. Sanchez continues, the encouraging part is, Miguel and his Finance team, have found a way that we might be able to reduce the initially proposed rate adjustment which is what we asked him to look at last week and he's presented that, if we are allowed to use TECP, the 71.5% cumulative can be reduced to 21.5% but I would say this, Taling and Miguel, to me 71 to 21 is a 20...that's a 28% reduction? Cumulative kind of misleading, one, it's compounded. GM Bordallo states, it's a reduction in the requested rate relief of 21.5 percentage points. Instead of trying to make a percentage of percentages. Comm. Sanchez states, I'm leaning towards a percentage. To me it's a 28% reduction or a 33? Because we're using cumulative you have to use 71 if you use compound the percentage would be even better. It would approach the 36% that Taling talked. GM Bordallo states, I think the way it's presented here is Apples to Apples. We're describing the 21.5% from 71.5 to 50. This is clearest the way we could express it.

Comm. Sanchez asks, the residential is 94%, right? GM Bordallo replies, no, I think we established that it was 56, Taling? Comm. Sanchez continues, on 7,000 gallons it's a 56% rate increase? But we would be reducing it by a third that's what I'm trying to do. Chairman states, how about just saying we're reducing it from 71% to 51%? Comm. Limtiaco agrees, that's what it says right now. Comm. Sanchez says, let's look at the resolves. I mean the "whereas", there's nothing wrong in what Miguel has written in the "whereas". Comm. Limtiaco asks, are you still going to change the order because it might even be better if you just take one through four and put it right before 17. Chairman and Comm. Sanchez agree. Comm. Limtiaco states, you get through the median household income and the petition the PUC and all that flows. The Board agrees.

Comm. Limtiaco proposes an amendment to the "whereas" section on page six to move lines one through four to start on line 16; Comm. Santos second.

With no further discussion, Chairman Duenas calls for the vote for amendment of Resolution 11-FY2024, motion passes with five Ayes. [Aye = 5, Nay = 0]

Comm. Sanchez asks, the US EPA and which includes PFOS and the consent decree, those are the US EPA requirements for which we have little to no wiggle room. They're time dependent, we know PFOS is coming down it's just a matter of when, and it's going to be soon. Of the of the \$900 million in CIP,

how much is US EPA related consent decree in PFOS? GM Bordallo states, approximately 55% in general numbers. Comm. Sanchez continues, I'd like management to take a look at that 45% that is non USEPA related projects and see if we could spread that out over a longer period of time to lower the cumulative rate increase. We still submit this but it's like the LEAC. Even though we submit the LEAC in December, we have up until the last day that the PUC acts on it. We give them more you know fresh information what rates what oil prices have done and we update it. For filing purposes, we file on time, but between filing and actual decision making during the adjudication process...so could management begin that analysis of examining the CIP plan where we do not change any requirements on the compliance with USEPA consent decree and PFOS but we evaluate we look at what would happen if we delayed the 45% that isn't US EPA related projects including PFOS. See what would happen if we pushed that out over a longer period of time. GM Bordallo states, so, to update you as we move through the adjudication process on any potential changes to the CIP that could affect a lower rate increase.

Both Chairman Duenas and Comm. Sanchez asks for the next CCU meeting an analysis of what would happen if we delayed the 45% on the five-year capex, the non-EPA related. Comm. Sanchez continues, request management to begin to look at the non USEPA projects and seeing whether we could push them out a little bit and to make the rate adjustment you guys need a little more tolerable from a rate payer point of view because it's you're not borrowing it as fast. It took us a billion to do the first 20 years plus or minus... we didn't start borrowing money till 2005 that was our first bond issue. So, in the first 20 years of the CCU for GWA, it us a billion dollar and rate increases were needed. Now we're trying to cram another almost million into 5 years. GM Bordallo states, no, not 5 years. We need the CIP and we need the amounts in order to encumber but the bill that will go beyond the five-year period because if we start a project in year five, it's going to take a couple years to finish. Based on the methods that we have available to us, what we have presented in the proposal, which does not include the tax-exempt commercial paper, requires us to get this within the five-year period but we still have the build out after that. So, it' be more like eight.

GM Bordallo adds, sir, I know you you're asking for it by the next meeting, but I'm not sure that I can commit to getting it to you by the next meeting. If it takes a little longer will the will the board be willing to accept it at a later date? The Board is fine with that.

Comm. Limtiaco asks, so Miguel, considering that we've talked about the TECP, does item number two change to schedule A3 or no? GM responds, no. Comm. Limtiaco continues, it's only because so we're approving these larger rate increases regardless if the legislature approves the use of TECP. GM Bordallo replies, an answer to the question, the item two seeks your approval of the plan as proposed for the purposes of submission. Number five of the resolved requires us to move with all haste to try and get the tax-exempt commercial paper legislation or alternative debt financing legislation approved. So that if we do, then, during the adjudication process that becomes available to us and we can end up with rate increases that are less than what's presented in item two but we need a starting point and we need an approved plan to submit and so we're seeking you to approve what's in schedule A2. With the intent that we will move forward to try to get us to schedule A3 or better. I'm going to say that it's related to the starting point and we may end up where you've verbally requested us to end up but we need the approval of the current CIP as a starting point and yes, we will examine, I will keep you updated, we will give you an analysis, and we will work towards what we can during the adjudication process. Comm. Sanchez states, the only reason I bring it up colleagues, is we're about to adopt the policy on behalf of the rate payers and I want to communicate clearly to the to the rate payers that yes we're going to start this process and it looks like this but if the legislature helps there's an opportunity to make to make it lower and management's going to revisit the timing not the size of

the house the timing of the construction of the house to see if they if there's another way we can squeeze more savings in terms of rate relief.

Comm. Santos states, as we forward and we have this list of CIP projects and I've seen any the other Bond we can change that right this board as the authority to change with respect to projects. That will drive part of the discussion about we're going to do it differently again it's how do we delay. Really, we have authority of directing them. Chairman Duenas responds, I understand what we're doing and this is not something everybody sitting around this table wants... we want the improvements. Nobody says we don't want to replace the pipes; nobody says we want to continue with the water loss... the problem that comes in is how do you pay for it? How soon do you pay for it and how fast? What's the most affordable way to do it? I get it, but at the end of the day, I want to fix the system. We inherited the system...we all did. I'm going to vote to fix the system. I don't want to leave the system the way it was handed to us in 2003. Comm. Limtiaco responds, don't think anybody is against the change. It's how do you how do you justify passing this large of a rating increase on to the rate payers and you've obviously done some good work here already with schedule A3 you know provided we can get the legislator to approve it but even at that it's still a 50% rate increase. Chairman Duenas replies, I get that but at some point, we have to move. We're all in agreement on that if you're going to wait till you have the money that day will ever come. Our generations prior to us, that long and distinguish list, they said, well let's wait and nothing's happened. We have a system that when Simon found it in 2003 because he's the only one who was here in 2003 it was collapsed and we were polluting the ocean. So, my point being, we have to do something and we've been trying to do something and we've done a lot but we just have to we have to make a move.

With no further questions, Chairman Duenas calls for the vote as amended Resolution 11-FY2024, motion passes with five Ayes. [Aye = 5, Nay = 0]

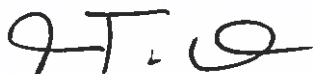
3. ADJOURNMENT

Comm. Santos motions to adjourn; Comm. Limtiaco second. Meeting is adjourned at 5:58 PM.

//s/

Lourissa L. Gilman

Attested



JOSEPH T. DUENAS, Chairman



PEDRO ROY MARTINEZ, Secretary

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