



**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 p.m., Tuesday, August 23, 2022**

**MINUTES**

**1. CALL TO ORDER**

Chairman Duenas calls CCU Regular Board Meeting to order, August 23, 2022 at 5:30 p.m. For the record, present are Chairman Duenas and Commissioners Limtiaco, Sanchez, and Martinez. Chairman Duenas requests if the Commissioners would like to discuss the Board vacancy of the at the beginning of the meeting or keep it at the end just as stated in the agenda. Comm. Limtiaco states it will be best to discuss it at the end.

**Commissioners:**

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

**Executive Mgmt.:**

John Benavente	GM/GPA
Miguel Bordallo	GM/GWA
John Kim	CFO/GPA
Tricee Limtiaco	AGMA/GPA
Taling Taitano	CFO/GWA
Therese Rojas	Legal Counsel/GWA
Graham Botha	Legal Counsel/GPA

**Management & Staff:**

Candice Ananich	Management Analysis/GPA
Ann Borja-Gallardes	Management Analysis/GWA
Reginald Diaz	Management Analysis/GPA
Allan McDonald	IT/GWA
John Dixon	IT/GWA

**2. PUBLIC COMMENTS**

No public comments.

### 3. APPROVAL OF MINTUES

Minutes up for approval. Comm. Sanchez moves to approve the minutes; Comm. Martinez second. Minutes are subject to written corrections.

Chairman Duenas states with no further questions, calls for a vote; motion passes with four ayes. [Aye = 4, Nay = 0]

### 4. GPA

**4.1 GPA Resolution No. FY2022-27 Relative to Use of Grant Funds for the Energy Efficiency Upgrade at UOG School of Business and Public Administration building Project under Siemens Contract** - GM John Benavente states this resolution is to provide energy efficient measures, include LED lighting retrofit, HVAC control retrofit, and Solar PV at the UOG School of Business and Public Administration to help in reducing UOG's recurring energy and operational costs and deploying addition renewable power generating asset. This is located at the UOG School of Business and Public Administration. It will cost \$1,291,938 and is scheduled to be completed by December 31, 2023. Funding source is the US Department of the Interior Energizing Insular Communities Grant. Comm. Martinez motions to approved Resolution No. FY2022-27; Comm. Sanchez second.

Chairman Duenas calls for the vote for Resolution No. FY2022-27, motion passes with four Ayes. [Aye = 4, Nay = 0]

**4.2 GPA Resolution No. FY2022-28 Relative to Macheche CT Turbine** – The project's objective is to replace the existing Macheche CT Turbine, which has exceeded its safe running hours with a refurbished, low-hours GE certified unit. The project is urgent because the reliability of Macheche CT is critical to support the demands of the island wide power system. It is located in Harmon Loop. The replacement of the engine is \$3,953,417.60. The engine will be delivered within 100 days with the site installation scheduled for three weeks. Revenue Funds will be used. All services will be provided by TEMES, Inc. Three bids were received and GTI – Gas Turbine Investments was the lowest bidder at \$3,953,417.60. Comm. Sanchez motions to approve Resolution FY2022-28; Comm. Martinez second.

Chairman Duenas states with no further questions, call for a vote, motion passes with four Ayes. [Aye = 4, Nay = 0]

**4.3 GPA Resolution No. FY2022-29 Relative to Bond Financing Savings Utilization** – This is the GPA Bond Refunding Program will result in a cumulative debt service reduction of \$10,056,536 from year 2024 to 2034 and a cumulative debt service reduction of \$4,297,438 from year 2031 to 2034. As per Guam PL 36-80, Section 2(h), GPA must notify I Liheslaturan within ninety (90) days of refinancing of its intent and plan regarding the savings achieved from refinancing. GPA desires to reserve these savings for the benefit of the community by making a strategic investment in Ukudu Power Project. GPA proposes to use the Bond Refunding Program savings towards the capital lease and Operating and Maintenance Expense of Ukudu Power Project. Comm. Martinez motions to approve Resolution FY2022-29; Comm. Limtiaco second.

GPA Legal Counsel, Graham Botha points out a correction on line six of the resolution. It must be corrected from 2034 to 2030. Comm. Sanchez motion to amend line six of Resolution No. FY2022-29 to change the year number 2034 to 2030; Comm. Martinez second.

Chairman Duenas states with no further questions on the first motion, calls for a vote, motion passes with four Ayes. [Aye = 4, Nay = 0]

Chairman Duenas continues with no further questions on the main motion as amended, calls for a vote, motion passes with four Ayes. [Aye = 4, Nay = 0]

## 5. GPA GM REPORT

GM Benavente states Cabras, Piti No. 8 came on the line has been working well and operating at 40 megawatts. Cabras 2 came on the line on Saturday and it's now up at 45 megawatts and operating well. Piti 9 still on schedule for early September returning to service. That will bring our three units back. The next overhaul will be covers Cabras 2 in October 2 for about 50 days. Thank you know our sister company we're using the GWA assets during this period of time. The Airport Authority, the Port Authority, the Guam Regional Medical Center, Pacific Unlimited, generally just wanted to help the system at this point. The military and the community and large helped us. We're establishing interoperable load program and we have sent out signal invitations to hotels and other major loan centers. We don't have many that have come back on except the team that was mentioned. We will do what needs to be done to move forward.

Comm. Sanchez states he was a little that in that presentation on hedging GPA wasn't invited to hear anything...why wouldn't why wouldn't you want to share the information plus we could have provided feedback. CFO Kim was asked to look at it discuss what he notices. CFO Kim states, yes, we do hedge but there's two types of hedging when we brought in a consultant right before the COVID so they look at the hedging program and see our capabilities. The consultant is Utilities Financial Services and the person looking at us is Dr. Axelrod. He's been with the Massachusetts Municipality Electric Powers. The things we looked at is what kind of asset we have. So, we looked at the Energy Storage Systems (ESS), utility bound battery renewables, and we also looked at new power plants and what kind of fuels we'll be running. Right now, we stopped buying RFO, in the future we'll be buying 0.2 Low Sulfur RFO and diesels. Those indexes are in base priced on diesel going forward. We also looked at compliance with the Consent Decree and US Clean Air Act. Our objective was to reduce or minimize the lowest cost possible or have it the lowest cost possible.

GM Benavente felt it really just wasted a lot of our time in his opinion. Being straightforward with this, first, of all they have no idea...they didn't ask us any information about the utility before they made that recommendation and give the people of Guam, they thought that perhaps something could be done. CFO John itemized so many items of things that we've been doing which is similar to hedging, not the hedging that they're talking about. The hedging that they're talking about is high risk. We go out there we hedge one time we lost 10 million dollars... what the heck, excuse my language, what do you think is going to happen? We've been burned before. We're also in the process of changing from three fuel, to five fuels, down to one fuel. The conversion to get to Ultra Low Sulfur diesel... so we have all of this different fuel, which one you're going to hedge on? Eventually, the team here will look at the opportunity of the financial heads for diesel fuel. It's unfair to bring it up there, it's a big disappointment to me that they bring it up there and not once anyone ask us any information on what we're doing in which we could have provided picture as to what

we're doing. Then the consultant could take a look at that and say, okay, what opportunity do do this company really have? That strategy, to be very honest with everyone, is something that was being done 20 years ago. They may have their expertise but, please, don't come in making a conclusion of Guam Power Authority before understanding the information. We can have a discussion to agree to agree or to disagree and then from there we can take it to town but don't get our rate payers so riled up that we're not doing the best we can because we have many people in the Authority that are doing the best that they can. That's when I get irritated.

Furthermore, most people that hedge, the majority of them don't have time kits. We hedge because we have 30 to 90 days of time kits. We buy on the low and if their costs go up, we don't buy fuel for a month and a half...we can delay it depending on our inventory. They don't. Hedging is not really about a savings is more to make sure that you're within your budgeted cost so that you don't have to increase the rates for everybody

CFO Kim states, we had a consultant look at it and they said there's two types of hedging there's a fiscal hedging and a financial hedging. He said was for operation is too small you need like three different departments so he said for financial hedging you should outsource that. But he said what we could implement was the physical hedging so that's something that we've been doing. We implemented physical hedging but some of the practices we've been doing for years. It's not something new but it was more of a documented process. Comm. Sanchez states he is disappointed that the group didn't talk to the stakeholders to find out how it work and how it was being done here.

CFO Kim goes on, so, on the physical hedging, something we do have, is called inventory management. I believe they discussed that in their presentation. We do have two big 250kb tanks so we could actually leverage and we also outsource those tankers. So, what we do is when the price is low, we just acquire more and just be common practice when the price and when the price is high, we just slow down. This time around for Cabras 8 and 9, we knew were going to burn diesel in July, so, we actually bought that early on when the price was lower. But at the RFO, the low sulfur RFO, we knew that the prices will be high so, we delayed the purchase of that. Right now, the price of diesel has gone down with this index down so we're going to buy at a lower price. That's one other way we do hedging.

## 6. GWA

**6.1 GWA Resolution No. 27-FY2022 Relative to Approving the Charge-Off of Guam Waterworks Authority Receivables Deemed Uncollectible** – GM Bordallo defers to CFO Taling Taitano to present the resolution. CFO Taitano states it's good accounting practice to regularly review accounts receivables to ensure the Allowance for Doubtful Accounts is appropriate and to write off accounts that are deemed uncollectible. If uncollectible receivables are not written off regularly, for example, annual, Accounts Receivable and the related Allowance become overstated. The last write off was performed in March 2021. We are proposing the resolution to prepare for the year end closing. The proposed amounts to be charged off are \$973,916. The Trade Receivables total \$908,951; Government accounts is \$13,944; other accounts receivables are \$12,872. Comm. Sanchez moves to approve Resolution 27-FY2022; Comm. Martinez second.

Chairman Duenas ask for discussion. Chairman Duenas calls for a vote. Motion passes with four Ayes. [Aye = 4, Nay = 0]

**6.2 GWA Resolution No. 28-FY2022 Relative to Approving FY22 Budget Amendments and Rate Stabilization Fund Transfers** – CFO Taitano states, the final FY2022 Budget has been pending Public Utility Commission (PUC) action on the Comprehensive Review and Update of GWA’s 5-year Financial Plan submitted in May 2021. Due to the delay, the CCU approved a rollover of the FY21 cost containment budget in Resolution 26-FY2021 in anticipation that the PUC would act before the end of FY2021 as required by February 2020 Stipulation and Rate Order.

GWAS management seeks CCU authorization to increase its Operations and Maintenance budget not to exceed \$95,609,096. The projected increase of \$6M is driven primarily by the increases in power costs of \$5M, plus a general increase in the cost of goods and services due to the supply chain issues, the increasing cost of transportation, and inflation.

On February 23, 2021, the CCU approved Resolution 11-FY2021 Establishment of the GWA Rate Stabilization Fund. The RSF serves as a tool to manage financial risks without the need for immediate rate relief. Such risks include the uncertainties of the COVID-19 related impacts on the economy and its effects of GWA revenues and debt service coverage. In September 2021, GWA transferred the authorized \$11.4M from GWA’s general fund formally approved as part of the annual budget.

Because of the delays in PUC action on rate relief, CCU Resolution 06-FY2022 authorized transfers up to \$2M and CCU Resolution 19-FY2022 authorized transfers up to \$3.3M for a total of up to \$5.3M from the RSF to the GWA general fund. Both resolutions were passed in anticipation that the PUC would schedule the rate hearing in the near future. However, although the PUC Administrative Law Judge has issued that proposed rate order on May 13, 2022, the PUC has yet to schedule a meeting to consider the proposed rate order. To ensure the GWA does not fall below the required 1.25 DSC as required by the bond indenture, approval is requested to transfer up to an addition \$6.1M out of the RSF into the GWA general fund for a combined total authorization of \$11.4M. Additionally, if sufficient revenues exist to replenish the \$11.4M, approval is requested to transfer from revenues to the RSF up to the authorized amount. Once the PUC has issued the rate order, currently anticipated for some time in September 2022, GWA management will submit an updated budget resolution for the CCU’s consideration and will include any proposed updates for RSF transfers in and transfers out.

In the CCU approved May 1<sup>st</sup> CR&U submittal to the PUC, transfers from the RSF were planned for FY2022 largely because projected demand is lower than normal as a result of the impacts of the COVID-19 pandemic. Adding to this, PUC action on proposed rate increases have been delayed, creating further impacts to correct revenues and financial performance.

Although GWA has continued cost containment measures, for the reasons noted increasing the FY22 budget authorization is necessary and urgent to cover the increases in costs beyond GWA’s control and ensure that operations continue without disruption. Similarly, transfers from the RSF have been necessary to meet the minimum required debt service coverage and additional transfers may be necessary prior to the end of the current Fiscal Year to avoid

technical default on bond indenture requirements. Comm. Limtiaco motions to approve Resolution 28-FY2022; Comm. Martinez second.

With no further discussion, Chairman Duenas calls for a vote. Motion passes with four Ayes. [Aye = 4, Nay = 0]

**6.3 GWA Resolution No. 29-FY2023 - Relative to Approval of Series 2016 and 2020A Bond Proceeds Reallocation** –The objecting of the bond proceeds reallocation is to allocate additional funding for the remaining court ordered water tank projects. Construction costs are significantly higher than originally estimated during the development of the 2018 Water Resources Master Plan and funds must be identified so that the projects can be obligated and completed timely. The reallocation funding will be applied to tank construction and repair and rehabilitation projects at several locations island-wide.

There is no additional cost proposed over previously approved 2020A bond expenditures, GWA management seeks to reallocate \$30,425,00 of the 2020A Bond proceeds, from projects for which have already completed, or can be deferred and for which funds are not immediately needed. It is the intent that these projects will be funded from future proceeds.

GWA intends to issue the bid documents for the largest new tank construction projects in October, with some rehabilitation, repair projects being funded in the near term as on-going inspections and assessments are completed. The reallocation is necessary so the funds can be certified for these upcoming construction contracts. The funding source 2020A Bonds. Comm. Limtiaco motions to approve Resolution 29-FY2022; Comm. Martinez second.

With no further questions, Chairman Duenas calls for a vote and motion passes with four Ayes. [Aye = 4, Nay = 0]

#### **6.4 GM Report**

GM Bordallo points out just make sure nobody's alarmed we the last couple months we've noticed the tank reservoir levels may have been coming down in terms of our total capacity. Typically, we like to stay between 40 and 50 of the tank capacity which takes into account the fluctuations during the day. You'll notice that these have been trending more towards 30, 35 and I just wanted to point out that we do have as part of the ongoing tank projects we've been the distribution crews and the engineering section have been working hard to take some of these tanks offline so we can do the assessments for the major repairs. These are for tanks that we're not replacing but we're repairing. In order to know what the repairs are, we have to take them offline empty them and so on. These numbers reflect that we do have in the south four tanks offline at the moment which accounts for about 3.5 million gallons of total of 8.8 million gallons capacity in the south. That's just what those four tanks...were already down 40 percent so the numbers may look low but there's a reason why they're low and I just wanted to point out to the commissioners it's not necessarily that we're not paying attention to the distribution system. Quite the contrary, we're working on rehabilitating those tanks and we do have tanks offline similarly in the north, we have five tanks offline accounting for about 9 million gallons of storage out of 28.4 million gallons. That's about 32 percent of our capacity offline just because we're doing these assessments.



**7. OTHER DISCUSSION**

**7.1 CCU Vacancy**

Chairman Duenas states, there is a vacancy for vice chairman and we need to fill that vacancy. Comm. Sanches proposes Michael Limtiaco becomes the Vice Chairman and Pedro Roy Martinez becomes the new secretary to replace the departed administration who vacated the vice chairmanship; Chairman Duenas second the motion. Chairman asks if the nominations are accepted and Commissioners Limtiaco and Martinez accepts the nominations.

With no further questions, Chairman Duenas calls for a vote and motion passes with four Ayes.  
[Aye = 4, Nay = 0]

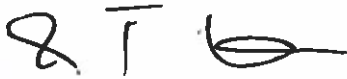
**8. ADJOURNMENT**

Comm. Limtiaco motions to adjourn; Comm. Martinez second. Meeting adjourned at 7:15 p.m.

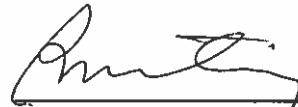
//s/

Lourissa L. Gilman

Attested



JOSEPH T. DUENAS, Chairman



PEDRO ROY MARTINEZ, Secretary

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