



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

4:00 p.m., Tuesday, October 31, 2023

MINUTES

1. CALL TO ORDER

Chairman Duenas opens CCU Regular Board Meeting, October 31, 2023 at 4:08 p.m. Present in the meeting, Chairman Duenas, Commissioners Limtiaco, Santos, and Martinez. Excused is Commissioner Sanchez, he is not yet here, but we will see if he will join later.

Commissioners:

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

Executives, Management, & Staff:

GPA

John Benavente, GM
Jennifer Sablan, AGMO
John Cruz, AGMET
John Kim, CFO
Tricee Limtiaco, AGMA
Marianne Woloschuk, Legal Counsel
Joyce Sayama, Communications
Joleen Cruz, Communications
Lourissa Gilman, Utility Board Secretary

GWA

Miguel Bordallo, GM
Chris Budasi, AGMA
Thomas Cruz, AGMO
Taling Taitano, CFO
Evangaline Lujan, Compliance/Safety
Therese Rojas, Legal Counsel
Michael Schniep, HR
John Dixon, IT
Chris Portin, IT

Guests:

Andrew Syverson, Sr. Director EPC, 174 Power Global
Lawrence Greene, Sr. VP, 174 Power Global
David Castro, Guam Daily Post
George Castro, Depo Resources

2. APPROVAL OF MINUTES

Chairman Duenas begin with the approval of minutes. Comm. Santos motions to approve the minutes from July 25th regular meeting, September 1st special board meeting and September 27th regular meeting. Comm. Martinez second the motion.

With no further discussion, Chairman Duenas calls for a vote; motion passes with four Ayes. [Aye = 4, Nay = 0, Absent = 1]

3. EXECUTIVE SESSION

GWA Legal Counsel Rojas asks the Board to move into Executive Session. The request is on file and should be in Board Books and the Executive Session is to discuss litigation matters. Chairman Duenas request a motion to rise up... Comm. Santos motions to rise up and move to Executive Session; Comm. Limtiaco second.

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

Chairman Duenas announces motion carries and a five-minute break to prepare for Executive Session.

Chairman announces Commissioners, we're back in open session. For the record, Commissioner Sanchez is now present. He also mentions that the screen has gone blank during Executive Session and usually it shows, "Executive Session in Progress", but he was informed the connection dropped. Chairman apologies for the disconnect.

4. PUBLIC ANNOUNCEMENT

No public comments at this time.

5. GPA

5.1 GM Report

At this time there is no GM Report. Chairman Duenas asks if anyone has questions for GM Benavente and the GM Report with no questions, Chairman asks if there are questions for finance.

5.2 Finance

There is no update for September, but CFO Kim will have the update on the November meeting. Comm. Santos asks CFO Kim to report about his approval... CFO Kim states, yes, we just came from the PUC meeting and they approved the property insurance for \$7.1M.

5.3 GPA Resolution No. FY 2024-04 – This is relative to approving the award of the new ultra-low sulfur diesel supply contract.

The contract is to provide the power plants the being the Temes, Piti 8, and 9 and Tenjo. There were three bidders that came in, Hyundai Corporation, Mobil Oil Guam, and IP & E Holdings. The bid is really about the procurement because there is a benchmark that is used to evaluate. So, Hyundai came in with \$8.08 a barrel and Mobil came in at \$10.30 a barrel and IP&E came in at \$14.70 per barrel. This resolution is asking the Board to approve and award to Hyundai for a three-year base period and, I believe, a two-year contract extension period. This again is an option that will be decided on one which is \$2.00 a barrel. Comm. Santos asks GM Benavente to go through the increase every single year is based on what? Consuming more oil? Because it goes 235, then 294, then 317. GM Benavente responds, I think if you look at the base contract of Hyundai only, the first contract of three year is \$8.08, the second year \$8.08, then the third year is \$8. So, it's for the three-year period actually. Comm. Sanchez asks, what page are you reading from, John? Chairman Duenas states, this is 134. Comm. Santos asks, you're reading where? Comm. Sanchez states, it the fixed premium, it says, B, row B...fixed premium fee cost is \$8.08 for Hyundai. GM Benavente replies, then if you look at the first of two years contract extension, the fixed premium fee is \$7.88 which is a decrease and \$7.88 on the second. Comm. Santos replies, and how much do we consume in terms of barrels? GM Benavente replies, we, with these three plans, I think we consume about 2.3 million barrels a year. AGMO Jennifer Sablan adds, it says 2 million for the first year and 2.5 million for the second year, then 2.7 for the third year. Comm. Sanchez adds, because Ukudu is still not open, right? Because when Ukudu opens,

it's going to drop. The number of barrels will drop, correct? GM Benavente replies, correct. Comm. Sanchez continues, drop significantly. Mobil, of course, we had a contract which was about \$4 lower than this, but they didn't want to extend the contract with any of the options because they were losing money the premium. That's why they went from four to 10. Comm. Sanchez states, they were probably losing money. And, that's why Hyundai went to eight. AGMO Sablan would like to clarify, the bulk supply will go up because we're adding Ukudu, but the trucked fuel that's going to the peaking units will go down. So, we are going to be increasing fuel because we are not supplying Ukudu right now and we will supply on the bulk side. Comm. Sanchez asks, but aren't you supplying Piti now? Doesn't Piti close when you open Ukudu? AGMO Sablan replies, Piti doesn't... Chairman Duenas interjects, Cabras 1 and 2 don't burn ultra-low sulfur diesel. AGMO Sablan states, 8 and 9 are the only ones that burn bulk supplies, so we will still have to bring in more fuel to operate Ukudu. Chairman Duenas adds, but what happens is 1 and 2 drop off and the 2% RFO that they're currently burning goes away. So that's a savings. Comm. Sanchez asks, aren't we burning .02 or something... Chairman Duenas replies, yeah, but it's not diesel. It's a blend of our... GM Benavente states, low sulfur...we burn close to 700,000 barrels a year right now which is Cabras 1 and 2 so that goes away. Comm. Sanchez states, that 700 goes away and then Ukudu uses... Chairman adds, it's more efficient. GM Benavente states, when Ukudu goes online... AGMO Sablan, it's more efficient and then the truck fuel will go down. GM Benavente adds, but then the truck fuel will go down and also the fuel from Piti 8 and 9 will go down because it has a capacity factor of about 80%. It's going to go down to about 15% and Ukudu is going to come up to about 80%. Comm. Sanchez adds, so Ukudu takes more of the load. Basically, it replaces all of Cabras, one through four and then it reduces eight. Everybody's making up for three and four being gone, right. Chairman agrees, yeah. Comm. Sanchez adds, that's why Piti will drop in consumption when Ukudu turns on in the terms for the total barrels that they burn. Since it's the most efficient, we want as much power coming out of Ukudu as possible. AGMO Sablan states, so the quantity is showing an increase just because we're bringing Ukudu online. Comm. Sanchez adds, but in the aggregate, but shutting off one and two and reducing the amount of load that Piti 8 and 9 carry for us and everyone else, that's right. Comm. Limtiaco asks, but you're going to have a gantry at Ukudu, though too, right. So, you're going to load your tankers out of there to distribute to your Northern tankers? AGMO Sablan states, the current Ukudu project does have a gantry for loading tanker trucks and that's when we need too. But, if Ukudu is running, we probably won't be doing that. Comm. Limtiaco asks, you're still going to exercise those units from time to time, right? GM Benavente responds, it makes a difference, but right now, we're using 5000 gallons an hour... It's a significant decrease in refueling trucks. To get an idea, right now, we're producing 300 or 400 million kilowatt hours from the truck power plants, that's the CTs and diesels... that projection is from 300 to 400 million to about 10 million, that's a huge savings. Again, it goes from Piti generating 80% of the time to 15%. Everything will go to Ukudu and the renewables that come on the line. Comm. Sanchez asks, we're doing a battery for shifting as well? GM Benavente states, we're doing battery for shifting in Phase IV and then for the Hanwa project. We're trying to get grant funding from the federal government for a centralized area for energy storage. Or, we may have to come back to the Commission and say, let's go ahead and buy one depending on the economy. It is about one cent a kilowatt hour for that battery and then it can catch the daytime load and we don't have to back off Ukudu and we save money.

Comm. Sanchez adds, and all future renewables will have battery feature? GM Benavente replies, yes, we're going from 100% shifting to 50% shifting. We're trying to manage the cost. Hopefully, the cost of batteries gets lower cost in the future. It makes a lot of sense to have a centralized battery so we can catch the other 50%. It can be charged by the solar farms and shifting to the evening time. Comm. Sanchez asks, we have a renewable plan for the next phase? Phase IV is

shifting 50% of the energy they produce. Chairman Duenas states, he welcomes a motion; Comm. Santos motions to accept and Comm. Limtiaco seconds the motion. Chairman Duenas asks for questions.

With no further questions, Chairman Duenas calls for a vote; motion passes with four Ayes. [Aye = 5, Nay = 0]

5.4 GPA Resolution No. FY2024-03 – Relative to Approving Amendment 2 to Phase II Renewable Energy Acquisition Power Purchase Agreement for Hanwha Energy Corporation. This is related to approving an amendment to Phase II renewable energy which is an agreement with Hanwa Energy Corporation. The Hanwa project will go from a 60 megawatt to a 60/30-megawatt project to a 41-megawatt project. The blended rate of the cost is now in energy shifting battery of about 60 megawatt hours of shifting will go to about 14.385 cents per kilowatt. We did not change the original 6.2 cents per price for the renewables. It really is the smart grip of the portion of the contract. Before there was a little bit of shifting, now we can decrease that substantially and therefore the blended rate to do that is 14. Comm. Santos asks, so, six cents for renewables and eight cents for battery? Comm. Sanchez replies, for battery storage, for the NBSS. GM Benavente process, the original project was 115KV line system which actually requires from time to get to. First of all, we get to work and have in extended the contract one year for a period of time when we had to buy property in Apera substation to be able to have that power going all the way to Piti, but also to serve energy within the Apera Heights area. Unfortunately, over the period of time that going through the process, you have to go design, start getting quotes for everything and prices have gone up substantially. Couple that with another period of time when COVID hit. That impacted not only the work that needed to be done, but also impacted the supply chain issues throughout the world. Based on where we are today, we are still pushing Hanwa to try and get their project going. During that period of time, the team started to look at some alternative to try and, with the same contract, be able to make it work with a 34-5 system. The team did determine there's a way to utilize the 34-5, Hanwa will have to upgrade the system. Before the final utilization of the contract, there will be a system stability study. Pre-engineering confirmed everything that needs to be done is included in the contract. At that point, if there's additional work, Hanwa will agree to that, then begin to sign the project and start moving towards the procurement of materials and construction. There is a process they have to go through between the time they sign a contract to how do we get to two years from now. So, here's the 6.4 cents, 4.2 cents and then we add smart rate portion which is the battery system that's about 5.9. Put it all together...75 minimum KWH. A minimum of 30% of all that energy coming form will be shifted through the 34.5 system. Completion is December 31, 2025 for the solar PB and then no later than April 30 for the battery component of the system. The Solar PB is what I'm interested in because that's what means the consent decree. The consent decree, of course, one of the reasons we look at this more carefully, is the fact that we have to find an alternative Let's go back as to see what happened. When we signed up with the consent decree, we had three projects in hand. We had the KMS for 60 megawatts, we have the Hanwa with the 60 megawatt and then we have the NG project with military base for about 40-50 megawatts. Unfortunately, the NG project would have to make the 60 plus 40 will make 100 megawatt is what the consent decree is asking for. Unfortunately, that went through two years of protest and at the end the rate payers lost a lot of money because the proposal no longer could do it, not at the prices for the materials at that point. So hence, we lost that project so we're still stuck with how do we get 100 megawatts? So, our hope was Hanwa will come in with the 60 megawatts. Therefore, we'll have the 120-megawatt meeting the 100 megawatts. Unfortunately, ran into a kink, now we negotiated 41 megawatts. That will allow us now to meet the 100 megawatts for the consent decree.

Comm. Santos: The micro grid which is the battery, am I understanding this right, we're going to pay \$6M for the life this contract. Don't the batteries deteriorate over time or...

GM Benavente: That's for the life of the contract. The battery that they have is 15-20 years that's all included.

Comm. Santos: That's fixed at 5.9?

GM Benavente: Fixed.

Comm. Santos: Is this a lease to own, John, or they're going to... they're own at the end of the term... So, what is the life of the battery?

GM Benavente: Close to about 20 years. It depends on how you use it, how you run it, about 20 years. So, then whatever it takes to bring it into the service to provide the 25 years of the contract. Comm. Santos: The contract is 20 or 25 years? John, so, I ask this question earlier because I went to RevTax, by the way, the way this was worded, if you look at the contract or the proposed language. We're dealing with three different companies here. It says, Hanwa, ATC Guam A and ATC Guam B. What is the company, today, called?

Atty. Theresa Rojas: Confirms, HEC Guam A.

Comm. Santos: That's the company we're going to contract with?

Atty. Rojas: Yes, that is the company we're going to contract with.

Comm. Santos: No, ATC Guam B? It's all in here, sir. All these companies are mentioned here. And then, on HEC Guam A, who is 174?

AGMET John Cruz, Jr.: 74 is a holding owned subsidiary of Hanwa. In the United States, it's Hanwa doing business as 174.

Comm. Santos: So, what are they registered on Guam, John (Cruz)?

AGMET Cruz: So, HEC is registered on Guam.

Comm. Santos: Which is 174 another dba.

AGMET Cruz: Yes.

Comm. Santos: Are they registered today?

Atty. Rojas: So, our amendment is to enter a contract... GPA is going to contract with HEC Guam A, LLC. HEC Guam A is owned by Hanwa Energy Corporate. The manager for Hanwa Energy Corporate is Hanwa Energy USA Holdings and they do business as 174 Global. The DBA for Hanwa Energy USA Holding DBA 174 Global is in the Articles filed with Rev and Tax. So, GPA is only contracting with HEC Guam A, LLC. I think, Commissioner, your next questions was do they have a license and business license, we confirmed with Rev and Tax and HEC Guam A's business license is expired of August of 2023. I've brought that up with the representatives with 174 Global and they are aware that there will be a requirement to have an active business license before GPA executes any contract.

Comm. Santos: And they've been in compliance since they started this company?

Atty. Rojas: Did not check the history of the business license, but it just expired in August of 2023.

Comm. Santos: What about the prior years?

Atty. Rojas: I did not confirm that.

Comm. Santos: Okay.

GM Benavente: This is the annual total for each year of the contract. Going from 14.23 up to 17 cents in 2025 This is 1% escalated. This is what we require of all out contracts. If you take that against the LEAC today, you're actually saving \$24M during the first life of this contract. If you take it again of what the LEAC will be once that Ukudu Power Plant you save about \$2-3M per year. So, that's again take it for another 5-years about 10-15 months. So, when Ukudu comes on line we're passing savings to the rate payers. The concerns of the commission of course, rightfully so, this contract has come where we haven't seen the production of energy so therefore, the questions have become what are we trying to do to make sure this contract moves forward and gets done. Most especially, one because we're depending on it to be the consent decree and then secondly, we don't want to go through another three years without getting this project done. So, we did work out milestones for the project. There's three particular ones that they've not met will have liquidated damages associated with it. Furthermore, they have to go through a

stability study, then the design, then the listing, then ordering the materials and all of that. We have to order the materials and get the construction going and have a plan for us no later than December 2024 that shows that they will meet this December 2025 deadline. In the contract there's that option that if they're not going to meet that, then I can terminate the contract and garner their performance plan. Therefore, it's in their best to keep going. Of course, this project is something that we watch very carefully most especially since there is the added need to comply with US EPA which we have to regularly report to.

What will allow us to go from the 13% to about 18% in renewables? Phase VI will be opening on November 6 and hopefully, we can award those contracts. This potentially could get up to as much as 49% renewables by 2027. Again, we do have a cap on the phase IV renewables opening on November 6th to 17.9 cents a kilowatt/hour. Because before that 50% we have to shift everything. The prices would have been substantially higher. Anyone coming higher than a 17.9, then we will look at the rest and see how do we award it from there. Again, working out where even the hedging around that close to that number has a huge benefit for us. Our goal is to bring the rates down to an affordable rate and on a sustainable basis. To get sustainability, we have to have a hedge...the hedge is our renewables with the 1% escalator. That's what we've been planning since the beginning. The project is in Dandan. They have cleared the area to prepare the area. The next part is making sure all the transmission systems is working. In order to operate the transmission from here, they have to take it up the telephone pole all the way down to Apera. Those conductors have to be changed and made larger so that we carry more energy across so that we can get the 30-megawatt renewable basis out of Dandan all the way down to Apera distributed there at Naval Station.

AGME Cruz: They have roads...they put in the roads and their ponding basin.

GM Benavente: they're actually working on an EPC. EPC is an engineering procuring a construction group. They have timelines to meet and the work...it's been a hard negotiation. I think we worked up to the last hour, two hours ago.

Comm. Santos: Go back to page before, John. Two pages back, let's look at that again. So, they're going to hire the EPC, right?

GM Benavente: So, few adding the December 2024 here. Part of the new agreement. GPA has the option to terminate this contract if it's not proceeding in the new plan.

Comm. Santos: So, that's a drop-dead date?

GM Benavente: So, the new plan they had was ordering the material and projecting the amount of work. If that doesn't come out that they're going to complete the December 2025, GPA has the option to terminate them.

Comm. Santos: So, the performance bond that we currently have on file, that's going to be the same bond carrying us?

GM Benavente: That is correct.

Comm. Santos: And, including the liquidated damages based on the signed contract then?

GM Benavente: Yes, any additional liquidated damages...

Comm. Santos: In addition, if we have to call the note. Does the termination of the contract based on your decision qualify us to take the performance down, or...

GM Benavente: Yes. The drop-deadline December 2024 I thought that was reasonable. I was pushing for the summer, but you have to do the system impact study then complete the design, then complete the order, start ordering the material... we're going to have to, before the end of the year, to meet our December date.

Chairman Duenas: Commissioner Limtiaco, you had a question.

Comm. Limtiaco: Yeah, can you go back a couple of slides? So, John, walk me through this again, so, the first-year guaranteed discharge energy megawatt per hour is at 22?

GM Benavente: At 75M...

Comm. Limtiaco: Um, no, further down.

GM Benavente: 75 million is for the whole solar PPA...

Comm. Limtiaco: Further down...line item 15 is what I'm asking about.

GM Benavente: Yeah, and when you go down here, 22 minimum goes by the battery

Comm. Limtiaco: Oh, by the battery, that's the shifting minimum.

GM Benavente: The more that they can shift it, the better it works.

Comm. Limtiaco: Okay, what is the target for shifting is what percentage?

GM Benavente: Well, 29.5% ...

Comm. Limtiaco: But, that's the first year...is that the cap or is that a conservative percentage?

GM Benavente: That's the minimum.

Comm. Limtiaco: That's the minimum, okay. First year minimum. So, they can potentially shift more, okay. And then, you mention Phase IV renewables, that is being opened on November 6th. And, the performance bond expires on when?

GM Benavente: Which performance bond?

Comm. Limtiaco: The Hanwa performance bond.

GM Benavente: I'd say it's next year, 2024. They did renew it...

Comm. Limtiaco: No, no, if we don't execute this resolution, if we did not vote on the resolution today, when...does it expire at the end of the year? December?

GM Benavente: December

Comm. Limtiaco: December 31st, okay.

GM Benavente: ...December 31st is the COB of the contract is when we can just go...

Comm. Limtiaco: Okay, and then the current blended cost per kilowatt hour, we're looking at 14.38, right?

GM Benavente: Right.

Comm. Limtiaco: Is there any rush to vote on this assuming that phase IV renewables are going to be... you're going to know what the bidders come in at on November 6, right?

GM Benavente: Yeah, the whole think about November 6 now, it's going to take several months more before we can even come to an award.

Comm. Limtiaco: An award! Before you come to an award, but you'll know on November 6...

GM Benavente: I'm wanting to work out with USEPA that this is the contract. I think 14.3 is going to cheaper than what I'm going to see coming in. So, maybe as far as delaying it, I don't see a major advantage to doing it.

Comm. Limtiaco: No, but what would you know roughly what those bidders come in on, on November 6?

GM Benavente: ...they're having a hard time making 17.9.

Comm. Limtiaco: My question is will you know on November 6 what the offers are that come in with their bid per kilowatt hour.

GM Benavente: Another way to do this is you figure out the megawatt hours being transferred. It costs about, today, \$5 to \$600K a megawatt hour. Then you figure out the battery cost, right. Then you figure out the interest rates and how much it costs per year. The one we have here is very recent. So, I've calculated that to see because that same calculation is what these others are doing out there is the phase IV. That's coming up to almost a billion dollars that's why they having a hard time coming in at the 17.9. I don't see in no certain terms that this course is much better than what we're going to see in phase IV, but I hope I'm wrong, but I don't think so.

Comm. Limtiaco: Just to clarify, on November 6, you'll know what those actual numbers are?

GM Benavente: I'm sorry, let me take it back, November 6, they'll submit the technical and proposals.

Comm. Limtiaco: Okay, so, they submit their proposals and everybody's got to go...Technical and price proposals?

GM Benavente: We can't open the price...

Comm. Limtiaco: Oh, until you evaluate the technical one.

GM Benavente: It's going to take two or three months to evaluate the technical and then we give them another month to get...for the evaluation. And then, we start looking in the approval process.

Comm. Limtiaco: Go back to the saving exhibits. I thought during the working session, you balanced that against the current LEAC, is that still up there because it's kind of small? 28 million over the course of...

GM Benavente: the first five years

Comm. Limtiaco: But Ukudu comes online in?

GM Benavente: In year three

Comm. Limtiaco: In year three, so, that that savings number would come down

GM Benavente: So, we can make down... close to the LEAC.

Comm. Santos: John, the other question I have is on the exhibit, the interconnection is going to be owned by Hanwa?

GM Benavente: No, interconnection will be constructed by Hanwa and turned over to GPA.

Comm. Santos: Okay so, that we get yeah.

GM Benavente: So, part of the price any of this Renewables that you're paying is for the infrastructure that's outside or right outside the solar plan.

Comm. Santos: The phase IV for bid is for how much megawatt we need to produce?

GM Benavente: 180 to 325 megawatts.

Comm. Santos: And, can be broken out in different vendors or is that the plan; these guys bidding on the proposal?

GM Benavente: The phase IV bid they will be they will determine first we have to agree with the technical proposals and then which is still subject to a stability study which they have to do if they intend on an award.

Comm. Sanchez: Was there a minimum size on any bid?

GM Benavente: Minimum size is 4.9 million.

Chairman Duenas: I have two questions...

GM Benavente: ...If they want to take advantage of tax and everything, we're trying to work with everyone so that they can try and get this pricing done.

Chairman Duenas: Okay, refresh my memory John, your requirements per the consent decree is to have 100 megawatts by when?

GM Benavente: I think by December 2024.

Chairman Duenas: I remember John saying, that part of his requirement from the consent decree is to have 100 megawatts of renewable energy by a date I don't remember the date that's what I'm asking.

GM Benavente: I think I don't remember exactly but my mind is telling me December 2023.

Chairman Duenas: So, we missed that date already?

GM Benavente: No.

Chairman Duenas: Oh! December 2023.

GM Benavente: Which means they we not going to meet it. I need to go back to USEPA and provide some solution.

Comm. Santos: Showing that we're doing something.

GM Benavente: The requirement is for 100 additional megawatts from the time we did the consent decree. We have the 60 from KMS. Plus, this 41 to make it 101.

Chairman Duenas: But you're supposed to have the whole 100 by December of 2023 you're not going to make that but you're going to argue and say we have it coming. When will the other 40 megawatts show up John?

GM Benavente: The target is December 2025.

Chairman Duenas: December 2025 two years later for this. What do you think EPA's response to this? Have you talked to EPA about this?

GM Benavente: They have somewhat of an idea but I've always been saying the Hanwa project is tenuous...tenuous where I can see whether we find some solution or something to make it so then I have something to go back and offer the USEPA. I think if I go back with loaded with 41 megawatt and a December 2025 and again if you if you look at the rest of the consent decree the Ukudu Power Plant

now is being moved to January 2026 so in December 2025 will fit in and the next steps is Ukudu completed January 2026 and no later than 6 months later retire Cabras 1 and 2 and we're done with The consent decrees.

Chairman Duenas: So Ukudu turns on in January of 2026.

GM Benavente: Right so this will be on the line before 2026.

Chairman Duenas: Okay, your bids that are opening in November 6 of 2023, phase IV, what is the projected time that they will come online?

GM Benavente: So, if you take what I was trying to figure out earlier... probably take four, five, six, seven, eight, nine, 10 probably 10 months of by then, that will bring us into 2024, October 2024 and then you add three years from year 25, 26, 27.

Chairman Duenas: So, this will get in there ahead of that time frame. I'm trying to put everything together so I can see you know with the next group that's coming in when do they have a chance of coming in? I know it's not something you can pinpoint because anything can happen; they can have Supply train.

GM Benavente: They are already having the land they have; we're that far along...I think we beaten it. My team is very strong.

Comm. Santos: John, they're committed to finish, right?

GM Benavente: Yeah.

Comm. Santos: Can this contract be sold to an interested party at any point in time?

GM Benavente: If the contract is to be sold, they have to get the approval from the CCU.

Atty Rojas: Well, there is a provision for assignment in the present contract which does not require the consent of GPA. So, we have made that request really or requirement that this be included in the contract but we have not um completed negotiations on that point. So, we we've reached out to 174 Global again the manager for HEC and we've made that important point that GPA wants to require or will require that our consent be... that they have our consent before transferring or assigning the contract. There may be some you know kind of agreement in terms of maybe agreeing that they are able to assign to their Affiliates, etcetera. But you know we're still negotiating that point so there hasn't been any agreement.

GM Benavente: We're moving to towards having that satisfy understanding that the major concern of the Commission.

Comm. Limtiaco: JB, I wanted to just follow up on a comment you made regarding preliminary studies that would still be required and be met in order for the project to continue. Can you go over that again? The number and the proposal that's being provided here, I'm assuming, all the due diligence was done that it is actually engineering wise possible to do what they're doing. What is the preliminary study?

GM Benavente: We have an independent Team and it does the systems study and it goes to... and of course, yes, we have a lot of confidence on our team going through with them knowing what could be done. So, it goes through that whole process to make sure that every little thing is included as the most necessary. If it's not, they put it in there.

Comm. Limtiaco: Okay. But that... but what we're voting on here doesn't relieve the bidder from their performance Bond whether or not uh they agree to... Let's say they do not agree to add what whatever the third-party engineering team comes up still...

GM Benavente: We'll make sure that that's still qualifies that's the effort has been put together and the effort actually is less complicated. Remember 34-5 versus the high voltage 115 it's the big line on top and our team has looked at this and I think we're quite confident that what we have identified basally the significant that's...

Chairman Duenas: John, if we were to approve the resolution, we can make it subject to that provision being part of it. And, subject to them updating their business license, subject to doing all those little things.

Comm. Sanchez: Just to make sure that legally, you know, because this was an initial bid right legally you are allowed to revisit their initial bid and restructure.

Chairman Duenas: Now you're asking my question. We're on the same page. So, the question to the to our legal people, is everything here proper? This is very serious... we want to make sure that we are able to do this that this is legally available to us and that there's no pitfalls here.

Comm. Sanchez: Can't be challenged.

Chairman Duenas: We want your legal opinion that based on the contract as it was written and as it was entered into and now has been modified and they're seeking to modify again these modifications are allowed by the contract. That is the question so if you're if you're ready to answer we'll take your answer. If you want a few minutes somebody else might have another question.

Comm. Santos: I have a couple questions are you... if you're ready... actually maybe you should wait and you can answer. So, go to page five of this agreement... the first one is number three approval delay reads the parties agree that a GPA fails to obtain the requisite approval of this amendment including the PPA approval and the IC approval by no later than December 1st it shall constitute the delay that is caused by us GPA. What exactly are we talking about here?

Atty Rojas: That's our agreement to earnestly move forward to try and seek the CCU and the PUC's approval.

Comm. Santos: Which one... PPA approval is?

Atty. Rojas: The Power Purchase Agreement.

Comm. Santos: Okay, and the IC approval is?

Atty Rojas: The Interconnect Agreement which, Rojas states, is both on us. Yes, and so we've agreed to that date you know of course nothing is executed initially that date was November 1st but of course you know more time was required to review negotiate and consider the agreement so we worked with 174 Global and they extended that out to December 1st so that that is the present date. In that provision, do not receive the approval of the CCU and the PUC then there will be a day for day delay added to the December 2024. But there's no damages but they're just saying that any delay will be excused by our inability to receive the approvals by that December 1st date.

Comm. Santos: So, then the number four is the financing arrangement do we have a copy of the financing arrangement?

Atty. Rojas: No, I have not seen the copy of the financial agreement

Comm. Santos: It provided GPA with an executed copy of the financing.

Atty. Rojas: I haven't reviewed the financing arrangement to date, no. But we'll get that copy.

Comm. Santos: We're not paying for this they are...

Comm. Sanchez: But is it executed because it says it says executed. So have they executed with their bank or their lender or... because that to me it's not for you to review it's just that they got the money. You're just verifying that they got it. I'm with Commission Santos.

Comm. Santos: Because if you look at the standby letter of credit right, it was extended by us to July 2024. Then the concern I have is that it's with bank which technically is not on Guan but when you read the document that it's written on, it's out of New York which is okay for that purpose but again what exactly is the financing arrangement? I'm sure they have the means or the funds to do this. Even if, it's an executed agreement where is it? Otherwise, you should not have put that in there.

Chairman Duenas: So again, if you wanted to approved this, you could say subject to the verification.

Comm. Santos: I'm just saying right you know you're going to go to the PUC this month, I mean November... in the multistep bib when you were going through this the two parts you technically qualified them and then the next question is are you financially able to do this and those questions were answered 5 years ago.

Comm. Sanchez: But it does say we do get self-financing or there's something in writing they provide you, GPA, this is our source of financing. I'm with Commissioner Santos, that's how I read that. Which is what we're approving.

GM Benavente: They already have financing. They have financing, they already spending a lot of money.

Comm. Martinez: Can we include all these questions that are coming up on this resolution because there's some issues on the permit, the business license... In consideration for all of these on this resolution that we come up with something stating that these has to be executed. In other words, let's not wait and then it's not here and then when we approve it, where did you put it?

Chairman Duenas: I mean subject to them updating their business license; subject to

Comm. Martinez: I understand I understand but I mean incorporated into today's resolution should this...

Chairman Duenas: Yeah, we'll put it in the part of the resolution, subject to financing agreement, subject to their business license.

Comm. Santos: And then if we can have legal counsels, you know, because when you read the resolution there's a lot of appendix C, exhibit one, exhibit up to exhibit five. Everything is clean because some of these are blank. Exhibit B is blank.

Atty. Rojas: it's a cover. Comm. Santos response, okay.

Chairman Duenas: Now, Teresa, you ready to answer my question or the question that Commissioner Sanchez started out that I agreed with?

Atty. Rojas: Mr. Chairman, I apologize, can you restate your question?

Chairman Duenas: The question basically is does this contract which we entered into sometime back, does it allow us to make these amendments? Are we allowed to do this? All the changes that we want to make, it's allowed by the contract, the bid, and everything? We're not running into any trouble

Atty. Rojas: As mentioned during the working session, yes, there is a provision within this contract that we have with HEC that permits us to modify the agreement pursuant to the request by seller which is GPA, us. Specific to buyer which is GPA, the buyer. And we can modify the agreement with seller, I apologize, which is HEC. Regarding the procurement these bids were put out and there were solicitations we solicited you know renewable energy development and you know from interested bidders. The interested bidders were awarded their specific contracts based on their exclusive and specific proposal. These proposals were reviewed it went through the procurement process. This contract with Hanwa and any other contract that was awarded to another bidder stand alone. They're not one tied to

another or one held in conjunction or subject to another; they're standalone independent contracts. Procurements have been awarded and we are able to modify based on the contract that we've entered into with Hanwa.

Chairman Duenas: Okay. Any other questions? I think we the only thing I would suggest is before we make a motion that we list down the things that we're approving the resolution subject to the HEC updating their business license, executed financing agreement, the language of that executed financing agreement, and assignment clause. And the Clause that says that if they were to assign this contract to somebody else, we want the right to approve that person or that that deal. If you make it subject to all of those things being in there, then we can approve the resolution. It then falls to the other party to make sure that you finish those negotiations to the satisfaction of what we said. Those are the three things. Is there anything else, Commissioners?

Comm. Santos: Just want to make it clear right that the so the purchase power agreement is the one that reads renewable energy purchase agreement?

Atty. Rojas: Yes.

Comm. Santos: Okay, that's what we're amending?

Atty. Rojas: Yes.

Comm. Santos: Then we're also going to get a copy of the ICA?

AGME Cruz: Part of the ICA on the system impact... the system impact.

Comm. Santos: That's another one you should add.

Chairman Duenas: Okay, so here's what I suggest we do, we have a resolution I'd like to give our attorneys a chance to put down some language and before we proceed to make a motion okay how does that sound to everybody? Let's recess for like 10 minutes, five minutes

Comm. Limtiaco asks if the board can handle GWA's stuff and if there are other GPA issues. Chairman Duenas states that are a good idea and there are no other GPA resolutions. He asks GM Miguel Bordallo to step up with his two resolutions because they are fairly straightforward. He also asks GM Benavente not to go too far.

6. GWA

6.1 GM Report

Chairman Duenas asks GWA GM Bordallo to get through the resolutions since nothing has changed since the work session the week prior.

6.2 GWA Resolution No. 01-FY2024 – Relative to Approval of an Increase in Funding Scope of Work for the Tai Road/S-13 and Canada-Toto Loop/Blas Street Waterline Replacement Project: GWA Project No. M19-001-BND. As mentioned during the work session there were two sections where when we made the attempt to do final connections. GWA found out these lines were not in the as built and they were connected to the line we were disconnecting. A little more work was needed to hook them up to the main that was installed and so additional funding being requested is \$61,000 which would increase the authorized funding from 2.96 million to 2.984 million. Work is expected to be completed by the end of December. Bond funds will be used for the remaining work that's required. Chairman Duenas asks for a motion. Comm. Sants moves to approve; Comm. Sanchez second.

With no further questions, Chairman Duenas calls for a vote; motion passes with five Ayes. [Aye = 5, Nay = 0]

6.3 GWA Resolution No. 02-FY2024 – Relative to Approving the Guam Waterworks Authority Fiscal Year 2-24 Operations and Maintenance Budget. GM Bordallo asks CFO Taitano to present. If the CCU remembers the Board approved the True-Up and FY 24 budget based on a 27.5% increase under Resolution No. 33 FY2023. This packet was submitted on June 1st to the PUC; because of the delays and review by the PUC the CCU approved an interim budget under Resolution No. 43 FY2023 which was a basically a rollover of the FY23 revenues and expenditures for the first quarter of FY 2024. The PUC did meet on September 26, 2023 to review GWA's request. They approved a 16.7% rate increase which included a reduction of our projected power expenditures of about of about \$948K as well as a reduction in salaries and benefits of about \$28K. The largest reduction was based on replenishment of our reserves. So, the PUC did not fund any reserve replenishments. Chairman Duenas adds, the PUC did fund the extra additional payroll expenses for additional people. CFO Taitano replies, right, they did, the original ALJ's recommendation was 16.1% which included a deeper reduction in salaries but the PUC did add back another 6% to replenish some of the... GM Bordallo states, just to clarify there was an increase in the funding level only not any...they didn't specifically state any number of FTE that's for the CCU to approve. Comm. Santos motions to approve Resolution No. 02-FY2024; Comm. Limtiaco seconds.

With no further questions, Chairman Duenas calls for a vote; motion passes with five Ayes. [Aye = 5, Nay = 0]

GM Bordallo announces to the Board that next week GWA will be receiving visitors from OLDCC, Mr. Dan Glasson, who you might remember, will be on island. GWA plans to take him to Northern District and also to visit some of the other project sites that they funded. Also, Tom Connor will also be on island so if the board had an interest in meeting with Mr. Connor, please

let us know. We can arrange your schedule. Comm. Santos asks, what's the name of Gary's replacement? GM Bordallo states, that's Steve Chung. Comm. Limtiaco asks, is that going to coincide with the Ugam and the Maui Well visits that we have scheduled? GM Bordallo replies, no, Limtiaco's visit is on Monday and Friday. Tom Conor is here Monday through Wednesday he leaves Thursday morning. So, Wednesday is the schedule for Northern. Tom expressed an interest in seeing Ugam so if you wanted to move Ugam so that you could go with Tom Conor, we could try to arrange that if Wednesday's free for you. Comm. Limtiaco states he will check. Chairman asks GM Bordallo to send the Board the schedule. Comm. Santos request for five-minute recess.

Continuation of GPA Resolution No. FY2024-03

Chairman Duenas announces, we're back and our attorneys have given us the revised resolution and they walk us through how they change the language to address the issues.

Comm. Sanchez: Walk us through how you achieve the changes.

Chairman Duenas: Read the resolve portion everything else stays the same just so just a resolve.

Atty. Rojas: So, under resolve Clause One, Resolution Number FY2024-03, under resolve Clause One, we added four conditions. Resolve Clause One now reads, it read the CCU authorizes GPA to petition the PUC for approval to amend the renewable energy purchase agreement and interconnection agreement for HEC Guam ALLC subject to the following conditions. So, it read up through just the CCU authorizing GPA to petition the PUC for approval, and then we added the subject to the following conditions and the following conditions include A) HEC Guam a shall amend the current assignment provision at section 11.2 of the REAPPA (Renewable Energy Acquisition Power Purchase Agreement) to require GPA's written consent before any sale, transfer, pledge or encumbrance, or assignment of this agreement and its amendments. Second condition, letter B, is HEC Guam must be doing business in Guam with a valid business license and be in good standing with the Department of Revenue and Taxation prior to GPA's execution of the contract amendment and throughout the contract's term. The third condition, letter C, HEC Guam shall provide proof of its procured and approved financing to support the successful completion of the project. The final fourth condition, letter D, is HEC Guam shall agree to meet its milestone confirming the order of PV modules or be subject to termination at the discretion of GPA and to surrender its development security of \$4.6 million at the time of termination.

Comm. Limtiaco: Is there a timeline for a proof of financing? Is that part of the milestones?

Atty. Rojas: TI should be provided prior to us executing the agreement. It really was based on the financing agreement at page five of the Second Amendment. Prior to the execution of the agreement.

Comm. Sanchez: So, prior, add the sentence prior to the execution of the agreement of the amended agreement, right?

Atty. Rojas: Right, this is really an existing provision in the financing agreement where the parties acknowledged that um HC Guam a has procured a preliminary agreement customary for financing and that they would provide that financing arrangement to GPA with an executed copy of this agreement.

Comm. Sanchez: And so, do we need to add language to resolution 1-C... do we still need that phrase prior to the execution of the amended agreement? Is that language still needed because we're amending the agreement?

Atty. Rojas: Right, we should add in a time frame right. So, prior to the execution of this amended agreement, HEC Guam shall provide proof of its financing.

Comm. Sanchez: So okay, we can add it to the end or the beginning.

Comm. Limtiaco: Okay, and then the last thing is, John, can we just update the projected savings taking into consideration the revised LEAC Rate starting in year three. Can we just update the projected savings taking into consideration when Ukudu comes online.

GM Benavente: Oh yeah, that would be part of the presentation, right.

Comm. Limtiaco: Well, it'll be Exhibit D, right, because it's going to go in front...so, the final approved resolution will show that adjusted savings.

GM Benavente: Yes, we'll make the adjustment for this Exhibit D.

Comm. Limtiaco: Okay. So, motion to approve Resolution No. FY2024-03 subject to changes; Comm. Santos second.

Comm. Sanchez: Base on this document, right, we've added the prior the on 1-C. We've added the phrase, prior to the execution of the amended agreement, is that the right?

Atty. Rojas: You know, I'm reading, I apologize Commissioner, I'm reading the provision again and it says prior to the Financing Arrangement deadline. And it doesn't say, prior to the execution of the amended Agreement. I prefer that we align with the language and instead of put, prior to the execution of the agreement, we put prior to the Financing Arrangement deadline.

Comm. Santos: Which is?

Comm. Sanchez: Okay, which is?

AGME Cruz: Two years ago.

Comm. Santos: What? Okay, wait. Mr. Chairman. There is currently a financing arrangement in place, correct?

AGME Cruz: I think there is a financing agreement in place that was approved by GPA several years ago.

Comm. Santos: Okay. So, does that agreement today satisfy this particular arrangement that we're entering into?

AGME Cruz: I think so.

Comm. Santos: No, no, no. What you think's not going to suffice. We need to know that whatever the total cost to get this project completed. I believe they have the means to do it, okay. The proof is in the pudding when you present...

AGME Cruz: We will dig it out and then we will review it and I believe that come to the...

Comm. Limtiaco: Well, it couldn't, it couldn't, because if there's a battery with energy shifting now, two years ago it couldn't possibly have accounted for that.

Comm. Sanchez: So, I think counsel is giving us the right way to think about it, the buyer, we need a copy of whatever their financing deal is...

Comm. Santos: But the word deadline is?

Comm. Sanchez: Yeah, prior to, yeah...you were almost there.

Comm. Santos: Because we have a deadline already in here December 1st 2023. That's what we're seeing here.

Atty. Rojas: Financing Arrangement deadline is likely a definition within the power purchase agreement and if you can just give me a moment I'll get to my office and get that agreement.

Comm. Santos: Sure. So, the real issue there is we need to drop that deadline.

Comm. Limtiaco: Well, that's what I had asked earlier if it was in the exhibits because they had some milestones on the prior exhibits.

Comm. Santos: So, it's that page there, right, the milestone page?

Atty. Rojas: It's in the... should be in the...

Comm. Limtiaco: I don't think it's C.

Comm. Sanchez: Tomorrow start sound good so that Council can have the time to go get it.

Comm. Santos and Martinez: Yeah. I agree.

Comm. Martinez: Withdraw the motion. Withdraw the motion.

Chairman Duenas: We have a motion...

Comm. Limtiaco: We had a second and we're still in the discussion and we can recess.

Comm. Santos moves to recess until 8:30 tomorrow morning; Comm. Sanchez second.

With no further questions, Chairman Duenas calls for a vote to recess until November 1, 2023 at 8:30 am; motion passes with five Ayes. [Aye = 5, Nay = 0]

REGULAR BOARD MEETING
CCU Board Room, Gloria B. Nelson Public Service Building
4:00 p.m., Tuesday, October 31, 2023
Recessed to November 1, 2023 at 8:30 a.m.

1. CALL TO ORDER

Chairman Duenas opens CCU Regular Board Meeting recessed from October 31, 2023. Meeting is called to order at 8:39 a.m. Present in the meeting, Chairman Duenas, Commissioners Limtiaco, Sanchez, Santos, and Martinez.

Commissioners:

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

Executives, Management, & Staff:

GPA

John Benavente, GM
Jennifer Sablan, AGMO
John Cruz, AGMET
John Kim, CFO
Tricee Limtiaco, AGMA
Marianne Woloschuk, Legal Counsel
Joyce Sayama, Communications
Joleen Cruz, Communications
Vladimir Navassca, IT
Lourissa Gilman, Utility Board Secretary

GWA

Therese Rojas, Legal Counsel
John Dixon, IT

Guests:

Andrew Syverson, Sr. Director EPC, 174 Power Global
Lawrence Greene, Sr. VP, 174 Power Global
Frank San Nicolas, Guam Daily Post

Continuation of GPA Resolution No. FY2024-03

Chairman Duenas announces the meeting was recessed from last night and to finish up just the one resolution that's still before the Board. Resolution FY2024-03. Before you the revised resolution so it's all cleaned up.

Comm. Sanchez: I'm on page two on 2 C on the resolve, at this point of the project when we want you to show us approved financing. What does that mean? The loan has to close? I mean the burden still is on them to perform...

Comm. Santos: What do we have now? What is the current arrangement that said that we can proceed with the project?

GM Benavente: Well, first of all, we have all the milestones and everything and they're committing to us that they can do the project.

Comm. Santos: No John. Where is the current financing for this project? It doesn't exist, right, because they never turn dirt.

GM Benavente: They may have the current financing because they started on the project. Remember, it's just that they couldn't complete the project because the huge prices of the transmission and everything. So that's why they have done the site preparation at this point. So, they won't be doing all this, no, I won't I won't assume that. But, without... I know that they have funding to do and then to make this commitment the EPC they have the funding. So, all we're going to do from them now is show us the that you do have the funding. That's what the solution is asking for.

Comm. Limtiaco: So, John, I just to confirm the material difference in this language is just because of the amendment to the contract, right, with the adding of the battery the shifting capability with the battery right. So, the prior contract had the same basic language, what we're trying to say is, we want to see the renewed and approved funding for the amended contract, right?

GM Benavente: That's right. To give us more confidence that in fact you are going to make this happen and in addition to all the milestones and all the things that we put together to make sure that we throughout, at least for the first year, of every step of the process that they are on track to make it happen. This is an addition to that again just to again give assurance to all of us that the project will Continue.

Comm. Santos: Can you go to the Milestone page, then, so we can take a look at that and because I think they said EPC was first quarter right?

Comm. Sanchez: So, technically they started yesterday on number one, right? Or that's a milestone?

GM Benavente: That's what we're hearing. Again, we don't know where the contract is yet but again, they could move on their own but unless they have an EPC, that would now give them the resources to look at the design, do all the engineering, and get subcontractors to do the work. It's not going to be very efficient.

Comm. Sanchez: When they sign the agreement, these are the milestones in the agreement right?

Comm. Santos: It's not attached. So going back, you're saying that you've heard because we haven't confirmed that they're grading the property.

GM Benavente: We have proof that there's roads, ponding basin...

Comm. Santos: Can you get us a permit from DPW that shows that they got a grading

AGMET Cruz: I can get it. It's on the map.

Comm. Santos: No, no. Why is it that when we ask a specific question you guys like to turn... no, is there a permit in place, John (Cruz), from DPW to grade. That's what's permitted by law.

AGMET Cruz: That's been completed.

Comm. Santos: So, get us a copy of the permit. You're asking us to make a substantial decision today, Okay. And, all I'm hearing is we have financing. I haven't seen a financing agreement but you're asking us to start at \$10 million for the next 25 years, John, where's the financing agreement?

AGMET Cruz: Well, they initially met that on the first part.

Comm. Santos: Then show us the financing agreement. Right now. Move to recess Mr. Chairman. I'm not going to sit here and be told there's a financing agreement in place to commit \$250 million. Get us a copy of the financing agreement for the current contract. Then you're asking us to amend a contract and what's going to be is it going to ride on the same financing agreement or is it going to be different?

Comm. Limtiaco: I think we talked about this yesterday, is that it couldn't possibly be the same financing agreement because there's new... there's an amended contract, right. So, you got the battery. I'm assuming that the battery... cost of the battery would need to need to be added.

Chairman Duenas: I would assume that if you have a financing agreement that the financing agreement could be amended. In other words, with their finances they go back and say here's an agreement, yeah,

Comm. Limtiaco: If I understand the project correctly, there's a reduction of 20 megawatts of solar panels for reduction so that cost goes into the batteries.

Chairman Duenas: Once you have a financing agreement, with the lender or your equity and lender, basically you're going to continue and we're going to make some amendments to this financing.

Comm. Limtiaco: Well, that's a material difference in their business model. Because the rate change, their revenue rate change, then there's more capitalization. I think Chairman, Comm. Santos was right that we need we need that language in there for the new financing.

Chairman Duenas: Then maybe it shouldn't be if it's procured approved financing of its updated approved financing.

Comm. Limtiaco: It says that. It says amended... as amended... project as amended. We talked about that last night.

Comm. Sanchez: I think in the spirit of what Commissioner Santos is saying, approved financing, I mean in this whole bid, he must have been talking to lenders saying I want to bid, do I have money, at least at a minimum, some commitment letter some... the fact that they may haven't close the loan or they're using some of their equity today... Again, it's prior to John's signing. We just need comfort that they have a lender behind them because, in fairness to the rate payer, this company's had struggled to get this project off the ground for whatever their internal right reasons were and I noticed their colleague, the folks that are visiting, I guess went to go find it. To me I was ready to ask that question to those folks do you have proof of approved financing prior to signing the contract. John B, I think you'd want to check all your boxes. You're going to go okay, where's the approved financing. I'm with Commissioner Santos that there's got to be a piece of paper that says they got something from a lender or themselves.

GM Benavente: The only thing that I am cautious about is signing the contract. I need to see the approve finances before signing the contract. This leads us back to the Ukudu Power Plant where the construction will be tied into when the financing agreement is completed. And, then to the satisfaction of Guam Power Authority, that they are getting the financing or have the financing and can show that they will complete...

Comm. Martinez: Just to follow up, this financing or this proof...is that going to come from the institution itself from a bank? So that document will be what we're looking at?

Comm. Sanchez: I think that's what commissioner said something to that... I appreciate what Chairman Duenas said, they may also be using their own money they may have their Equity but we need some sense of do you have the money? I think we're all on the same page.

Comm. Santos: You would think that in the multistep bid you technically qualify Hanwa so they passed that stage and then you said show us your finances. Okay, if that's the case, then where's the financials that supported this contract?

GM Benavente: Usually we look at their financial status and capability and make a determination that, yes, they have the means able do the financing agreement. Of course, early on in the project they have to go out get the financing before they have an approval. They have made preliminary preparations for that because again once you do get the financing what happens you have interest during construction. So, I would think that they would have the commitment already.

Comm. Limtiaco: I think the main concern is nothing relieves them of their performance bond and in order to get bonding you need to be able to provide the ability to finance a project.

Comm. Santos: So, maybe the question then is, the original project 60 megawatts were valued at, when it went out, \$100 million. So, the amendment to the contract now with 40 megawatts of solar and 20 megawatts of battery, estimated cost then is \$250 million based on \$10 million for the next 25 years?

GM Benavente: I can just give you a relative activity, I think the 60 megawatts there is about \$3 million Divided by 16,000 times 40,000 this is probably below 100.

Comm. Santos: Just for Piti?

GM Benavente: No, everything. Comm. Santos responds, okay.

Comm. Sanchez: How much was it?

GM Benavente: Probably about \$100 million.

Comm. Sanchez: For 60 megs?

GM Benavente: For the 40 megs. Again, the more batteries you have, that's a higher cost. That's the driver now is going to be the batteries.

Comm. Santos: If you look current financing that supported the first contract which exceeds 100 million...

Comm. Sanchez: That's why I like the logic of what we're proposing before John signs. We just want, I'm with Commissioner Santos, just some proof of financing. As the Chairman says, it could be a mix of equity and lender. Just put that together in a piece of paper or verify. Because as Commissioner Limtiaco says, if they fail on that, then you just pull them off.

Comm. Santos: Then \$4 million to go pull

Comm. Sanche: I was concerned about the phrase, procured and approved... I don't know what that means.

Chairman Duenas: John (Benavente), can I ask can I ask a question? On your Milestones up there? Where would they give you the approved financing? What Milestone can you tie in right now?

GM Benavente: It's like right now we're saying before I sign the contract, we're asking them go confirm all of this even before I go to the PUC.

Chairman Duenas: John, I like that. So, John, what we do is just add on, the successful completion of the project as amended and...

Comm. Sanchez: It says prior to the execution, Mr. Chair, prior to... line 58 before he signs it, he has to see what Commissioner Santos is asking. I don't think we're being over complicated. We're just doing the due diligence.

Comm. Limtiaco: This is what we amended last night. This is the language that we had.

Chairman Duenas: I'm just saying, doesn't that cover it prior to the execution contract?

Comm. Sanchez: He can't sign it until he sees the contact

Chairman Duenas: That's when he gets the proof of everything.

Comm. Sanchez: We're trusting him if we pass this, as written, we're just saying, okay management, John, you're signing this prior to execution and you got to show proof. I'm okay with that as part of our due diligence can we see whatever they have shown for proof.

Chairman Duenas: Well, you can still leave the procured and approved because it's prior to the execution of the contract they don't have to show it to him now but, prior to his execution of the contract, at that point, they have to show it to him. So therefore, just leave it alone the language works. I think we don't have to change any of the language because it says prior to the execution of the contract they shall submit. John will sign off when he sees that prior to you know as he's ready to execute the contract so I think the language is fine. We don't think we need to make any changes.

Comm. Sanchez: Counsel, what do you guys mean by its proof of it's procured? What does say to me, procured is I already bought it versus a commitment letter. You have a commitment letter from a lender. You're using your own money to start the project. I totally agree with the Chair, they could be using their own equity for now to build a road, to build the bonding basin. At the end of the day, their burden is to come up with a total dollar package. He, (Benavente) can't sign without proof from them that says here's my mix of equity and Loan. At the end of the day, to me that's all Commissioner Santos is seeking. My question is procured, what does procured mean?

Atty. Woloschuk: It means they've got it and approved means it something to be approved on.

Comm. Sanchez: Well, what's procured mean?

Atty. Woloschuk and Chairman Duenas: They've got it.

Comm. Sanchez: So, they must have the loan closed?

Chairman Duenas: That means they have the loan in place.

Comm. Sanchez: My question is, if there they may not have the loan in place before he signs in the next 45 days because they're using their own money. That's why my only objection was to the phrase procured. I'm okay with proof of approved financing because as the Chair says it could be a

mix of equity and debt. If they just show it to us now that this is how we're going to pay for it I'll get my loan in a year because I'm using my own money; I'll get it in 90 days whatever. That's why I was worried about the phrase.

Atty. Woloschuk: If it's your own and you've gotten it from yourself you've still gotten it. You've still procured it from yourself,

Comm. Sanchez: Okay. So, you're okay with this phrase?

Atty. Woloschuk: I think I think it covers that.

Comm. Martinez: So, is it okay to say, HEC Guam A shall submit approved financing?

Comm. Sanchez: Yeah, that's it. We shorten it completely take out the phrase It's procured.

Comm. Martinez: Financing means there it is there there's my document to proceed.

GM Benavente: My concern is if they don't have yet from the bank everything then it's going to delay the project. Because, again, similar to what is happening the Ukudu Power Plant, financial construction and completion, although they've been doing other work, the pool commissioning date was tied into to the financing. Although that's not necessarily in this case because we have put our foot down that this commissioning date is December 23 but again, I'm a little cautious because lenders can be very finicky if you will and they want all the dots and Ts crossed. I'm going to push them to move on this thing so I'm just be a little cautious that the word allows us that flexibility. Yes, they have showed us proof of the how they're going to fund this thing.

Comm. Sanchez: How about this, in the in the spirit of both commissioners Santos and Martinez, on line 58, I can make a motion to just delete the word of its procured and just have it proof of financing.

Because Commissioner Limtiaco hits the nail on the head whatever they give you is a piece of paper if they don't deliver after you sign because of whatever the hell happens you pull their bond. I guess to eliminate any uncertainty just proof of approved financing. Then it's John's call as to whether he's comfortable enough that this letter of credit, this letter from them saying I'm going to use 20% equity and 80% debt and my bank is ABC bank if you feel comfortable with that then you sign because if it blows up then we yell at you, right, and mostly we're going to yell at them, right?

Chairman Duenas: I see it a little differently, I think that they're ready to go. This is a big project for them so I like the way it says prior to the execution of the contract Amendment. Submit proof of its procured and approved financing at that point they can do that.

GM Benavente: Even as this thing is going forward to the PUC and get you more inform financing. Right now, it's on the stringent side of the equation there still time for me to come back to the commission next month and say this is what we have can we relax this because I don't want it to be a constraint.

Chairman Duenas: John, I think I have full confidence in you and I'm saying leave the language alone let's approve the resolution and they'll either put up or not put up. As the saying goes, I have confidence in them.

Comm. Limtiaco: In my experience, when you when you get a bond for a project, you know you need to present everything about the project look at everything you know there that underwriting is there's a lot of risk in it. It would be hard for me to imagine that they didn't already have it.

Chairman Duenas: I'm glad you pointed that out to me. Prior to the execution contract that's exactly when they have to submit it, they should put all the papers in.

Comm. Limtiaco: I'm still comfortable with the language as is.

Chairman Duenas: I like the language as is just leave it, I'm okay with that.

GM Benavente: Just one more thing Mr. Chair, if I may, Commissioner Limtiaco asked for an update on Exhibit D, the projective savings. The first part is the LEAC Rate, the second part I've given you two scenarios. One, is savings was Ukudu Power Plant comes on the line on 2026 of the first year. There's 2026 moving forward and two scenarios the second tier is at \$120 a barrel and I give you two additional scenarios because it's going to be a hybrid of the two that is going to be offset by the production of the renewable. It's either going to offset the Piti 8 and 9 which is the second most efficient machine or a combustion turbine in the mix. So in between \$120 a barrel the nominal 5-year savings will be between \$14 and \$63 million and \$150 a barrel will be will be between \$31 and \$ 93 million. Again,

this page also provides an overview as to why Renewables is a good hedge because otherwise, we will be paying this much more. So that's all, I'm submitting for the record.

Comm. Martinez: John, can you just let me know on the top part where it says the energy guarantee from the 1st to the 5th it dropped. What happened? They cannot guarantee anymore?

GM Benavente: The minimum guarantee on any contract of purchase, as time goes by, solar PV production goes down and so therefore it's reflected in all our purchase agreement contracts.

Chairman Duenas: So, Commissioner Martinez, when they bid and say they're going to provide 60 megawatts, when they're beginning, they're probably providing 70 megawatts. As the time goes down, they'll get down, but they're never going to go below the 60 so they go overkill in the beginning. Which helps them so that they can supply the whole contract without replacing batteries, okay? Commissioner Santos?

Comm. Santos: I'd like to go back to Item D and if you read the development security of \$4.6 Million, can we get the legal contract to read... that it should be because the document that's presented to us is a standby letter of credit. That's what is before us and it's good until July 8th of 2024. So, two things, is to attach this because that's the actual bond but the question I have is what happens at July 8 2024 when the contract is for December 31st of 2025? Should we ask now for an extended standby letter credit to coincide with the terms of the contract because originally, we started 2018, then it got merged, then it got changed.

Atty. Rojas: There is a provision that requires them to provide an update and the development security which is another standby letter of credit and the approximate amount of those standby letters...

Comm. Santos: And, where is that?

Atty. Rojas: It's in our agreement...\$4.6 million and they've already agreed to that so that will continue.

Comm. Santos: So, where's the financing agreement?

Chairman Duenas: I understand the concern but I believe the language in here satisfies that, okay? That's my call. That's my thought. I appreciate all the discussion but I think we need to bring this to a head and we're either in or out. I had a lot of concerns, but over time we've kind of massage this program and at the end of the day, if it falls apart, we get \$4.8 million and the rate payers have suffered because we couldn't quite... it didn't quite work out the way people envisioned it to work out but the deal is the deal. They're going to get so much money to deliver so much power and it's not quite perfect the way we want it to be. But I want to know then, can we get to the point where if this resolution has now with it just the way it is, if we're satisfied with it, can we end the discussion?

Comm. Sanchez: I was willing to make a motion to amend whatever we did yesterday and suggest that you pass resolution FY 20243 as revised on November 1st? I mean that's what I would think procedurally this replaces everything we did. Making a motion to substitute or just amend the prior motion to approve Resolution FY2024-03 and I amended to say, approved Resolution FY2024-03 as revised on November 1st on the document that's been provided to us this is the 11/1 version that they worked on last night for today. This would be the correct latest version. So, that's the motion I'm making and the second we can discuss and at least get it on the table.

Comm. Limtiaco: I'll second it. The only thing is, Commissioner Santos, does this satisfy the request you're looking for?

Comm. Santos: We need a line that says GPA. It's blank.

Comm. Limtiaco: As far as signing off? It says on the left here, I/A, what is that I/A? It's a grading permit so I don't know if GPA...

Comm. Santos: Then why are we on the approval list?

Comm. Limtiaco: This is a standard permit from public works for every agency.

Comm. Santos: The thing is, Commissioner Limtiaco, this is our project.

Comm. Limtiaco: No, I'm just saying that I don't think there's any GPA assets on the property that would require them to sign off? Is that correct?

GM Benavente: That's correct if we don't sign off on every building permit. There are some depending on what is relevant I believe has been by Public Works. That's probably the case here. Not 100% sure, but I think that's what happened here.

Comm. Limtiaco: It's just a cut and fill or grade and fill permit anyway, right? It's not an actual construction permit. They have to go through this entire permit again for the big project.

Comm. Santos: Guys, I'm just saying that's fine it's 3 years old, that's okay.

Comm. Martinez: There's no deadline to the permit? I mean once it's issued you have 20 years to complete?

Comm. Limtiaco: I think once you break ground, you're actively in construction.

GM Benavente: This is the permit for them to do all that because this is the solar PB site and so therefore they had begun this and again over time got help back for various reason. But, the same solar PB site will be utilized for the 41 megawatts.

Chairman Duenas: Well, you have any more discussion?

Comm. Santos: Call for the vote, Mr. Chairman.

Chairman Duenas calls for a vote; motion passes with four Ayes and one nay. [Aye = 4, Nay = 1] ✱

7. ADJOURNMENT

Chairman Duenas announces, we're done. Comm. Santos motions to adjourn; Comm. Limtiaco second. Chairman Duenas asks all in favor; motion passes to adjourn the meeting with five ayes at 9:18 a.m.

//s/

Lourissa Gilman

Attested



FRANCIS E. SANTOS, Vice Chairman



PEDRO ROY MARTINEZ, Secretary

//

//

//