

Guam Public Utilities Commission

Citizen Centric Report for Fiscal Year 2011



About the Guam Public Utilities Commission

PUC is an independent regulatory commission, separate from the Executive and Legislative branches, which has been created by Guam law pursuant to requirements in Federal law. PUC is governed by seven commissioners who serve six-year terms under appointment by the Governor and confirmation by the Legislature. PUC's enabling legislation is contained under Guam Code Annotated Title 12.

Under Guam law, PUC regulates the rates and rate impacting procurements of Guam Power Authority, Guam Waterworks Authority, the Guam Solid Division of the Department of Public Works Waste, The Port Authority of Guam and the Guam International Country Club (Guam Municipal Golf Course). PUC also has authority over certain aspects of the telecommunication companies that do business on Guam including E911 Surcharge.

The PUC is obligated by law to ensure that rates for each utility are sufficient to fund its necessary operations and to meet its contractual obligations, bond, and other financial obligations. The PUC must also ensure that rates for ratepayers are "just and reasonable," which means that rates reflect the costs of providing such utility services.

Ratepayer Bill of Rights

When a utility seeks a rate increase, the PUC must conduct proceedings in accordance with the rights of ratepayers under the Ratepayer Bill of Rights. The fundamental rights of the ratepayers include:

- the right to receive clear and adequate notice of any proposed rate increase;
- the right to be fully informed about and to fully evaluate any proposed rate increase, as well as the finances of a Public Utility; and
- the right to give input and participate in any proposed rate increase.

The PUC is required to conduct three public hearings for each rate increase. The PUC conducts various types of hearings on regulatory matters, including requests for rate increases, public opportunity to comment on proposed rule-making, proposed agency action, and contested or disputed matters between utilities or telecom companies.



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Mission

The PUC is a regulatory body that sets rates for certain utilities and entities on Guam.

Commissioners

The Governor of Guam appoints, with the advice and consent of the Guam Legislature:

- 2 members from the business community of Guam,
- 1 member who is a certified public accountant,
- 2 members (each of whom have training experience in at least one of the following areas: power generation, telephone, water/sewer utilities, or marine terminal operations/transportation via ocean common carrier) with an additional requirement that the two members have training or experience in different areas, and
- 2 members who are from the community at large.

The Commissioners during FY 2011 include:

Filomena M. Cantoria
Jeffrey C. Johnson
Joseph M. McDonald
Michael A. Pangelinan
Rowena E. Perez

How We Have Progressed

The Guam Public Utilities Commission strives for just and reasonable utility rates for the residents of Guam. Significant regulatory actions for FY 2011 are listed below. The following table shows a summary of matters heard by the Commissioners at PUC's meetings:

	Number of matters heard	Number approved	Number denied
Guam Power Authority	23	22	1
Guam Waterworks Authority	9	6	3
Telecommunications	35	33	2
Guam International Country Club	0	0	0
Port Authority of Guam	4	4	0

Guam Power Authority

- PUC authorized GPA to construct a new office building facility in Mangilao with the use of bond funds.
- Every year, the PUC sets the "levelized energy adjustment clause" for ratepayers. The LEAC sets the price per kWh that ratepayers must pay for fuel. Based upon rising fuel prices, in February 2011, the LEAC was increased by 18.53%; in Aug. 2011 the LEAC was increased by 13.01%.
- PUC approved GPA renewable energy contracts with Quantum Guam Power LLC (20MW solar) and Pacific Green Resources LLC (9.34MW Wind and 5.04 MW Solar), subject to compliance with Impact Study Requirements.
- PUC approved substation repairs and breaker replacements, placement of underground lines, Cabras plant repairs, and other bond funded projects.
- PUC authorized GPA to procure a contractor for its Integrated Program Management Office.
- GPA was authorized to continue to collect monthly self-insurance surcharge payments from ratepayers after the \$10M cap is exceeded.
- GPA was allowed to continue the Working Capital Fund Surcharge to amortize the WCF bond related debt and to apply the \$5.1 from the Bank of America settlement proceeds to reduce the WCF Surcharge.
- PUC deferred consideration of GPA's request to establish a customer surcharge to recover alleged statutory payments in lieu of taxes (PILOT).

Guam Waterworks Authority

- PUC granted expedited approval of Bond Reprogramming to fund the Water Reservoir and Inspection Program and Minor Repairs, Groundwater Chlorination, Sinajana Transmission Line and Old Agat Wastewater Collection Systems Program (total cost \$1.990M).
- GWA was authorized by PUC to utilize proceeds of the 2010 Bonds for the purposes set forth in GWA's Capital Improvement Plan.
- PUC declined to revise the GWA Contract Review Protocol and Reporting Requirements when GWA withdraw its request for revision.
- PUC approved GWA's Petition for reallocation and reprogramming of the Interim Upgrades and the Meter Replacement Program.
- In the Annual True-Up Proceeding, PUC approved a cumulative 12.77% cumulative increase on non-lifeline base rates for FY 2012.

Telecommunications

- PUC approved the Interconnection Agreement between Pacific Data Systems Inc. and GTA Telecom LLC.
- By PUC Order, Guam Telecom LLC was designated as an Eligible Telecommunications Carrier.
- The transfer of control and sale of Teleguam Holdings LLC and GTA Telecom LLC to AP Holdings LLC was approved by the PUC; PUC found that Applicants had sufficient technical, managerial and financial resources to continue to provide the telecommunication services after the sale, and that the sale was not contrary to the public interest.
- PUC certified that GTA Telecom LLC, Pulse Mobile LLC, Guam Telecom LLC and PTI Pacifica Inc. dba IT&E will use federal support funds only for purposes for which support is intended consistent with Section 254 (e) of the Communications Act.

- A pole attachment rate was approved for telecom companies that attach to GPA power poles in the amount of \$6 per annum per pole.
PUC defined the appropriate repair time interval for xDSL UNE (“Unbundled Network Element”).
- PUC approved several Individual Case Basis Filings for Teleguam Holdings LLC.

Guam International Country Club

- There was no regulatory action involving GICC in FY2011.
- No rate increases have occurred since 2008.

The Port Authority of Guam

- PAG was authorized to accept the U.S. Department of Agriculture Letter of Conditions and to proceed with the \$50M USDA Rural Development Direct and Guaranteed Loan Program.
- PUC approved a construction contract with Black Construction Co. for the Gregorio D. Perez Marina Renovation & Site Improvements, Phase I Project.
- PUC approved a Contract Review Protocol for PAG, whereby all PAG contracts over \$1M require PUC review and approval.

Solid Waste Division, DPW

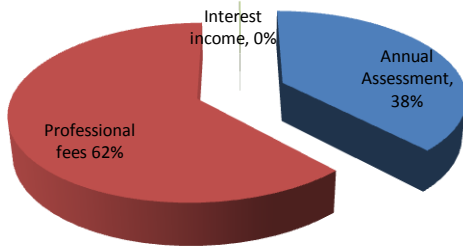
- As requested by SWMD, PUC suspended further consideration of any rate request increase until further issues were resolved.
- GSWA rate matters have continued to be under the control of the District Court of Guam.



Revenues and Expenses

Revenues

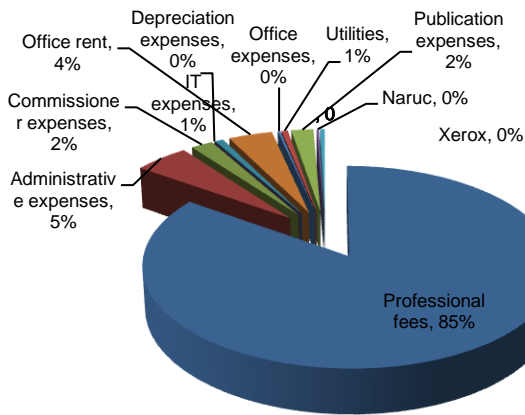
For the Fiscal Years Ended September 30, 2011 and September 30, 2010



Revenues	2011	2010	% Change
Annual assessment	\$299,200	\$260,746	14.75%
Regulatory fees	495,378	685,440	-27.73%
Interest income	804	649	23.88%
Total*	\$795,382	\$946,834	-16.00%

Expenses

For the Fiscal Years Ended September 30, 2011 and September 30, 2010



Expenses	2011	2010	% Change
Professional fees	\$613,040	\$763,815	-19.74%
Administrative expenses	38,000	36,070	5.35%
Commissioner expenses	16,391	23,564	-30.44%
Depreciation expenses	-	604	-
IT expenses	5,500	4,200	30.95%
Bad debts	-	-	-
Office rent	25,504	26,774	-4.74%
Office expenses	1,733	1,241	39.65%
Utilities	4,113	4,189	-1.81%
Publication expense	16,414	-	-
Naruc expenses	1,602	1,602	0%
Xerox	3,241	4,024	-19.46%
Photocopies	-	(41)	n/a
Total*	\$725,538	\$866,043	16.22%

*Amounts may not add due to rounding

Operational Expenses

PUC's operational expenses can be divided into two categories and are budgeted and collected as follows:

- General administrative expenses, which are budgeted each fiscal year by PUC and divided and assessed among the regulated utilities
- Regulatory expenses, which are incurred pursuant to a Commission resolution, dated August 13, 2007. These expenses include professional and out-of-pocket expenses, which are billed to specific utilities under regulatory dockets assigned to them to cover the expense of handling specific regulatory proceedings related to them. FY2011 revenues decreased because of less regulatory fees billed to the utilities.

Administrative Budget

The administrative budget covers the Commission's administrative expenses, including staff, office facilities, Commissioner stipends and training, professional fees, and other operational expenses.

PUC is classified as another stand-alone governmental unit, not a component unit of GovGuam, and therefore is not included in the annual GovGuam audits. Most recent financial statements can be found at PUC's website at <http://www.guampuc.com/about-us>. Previous financial statements can be found at the Guam Legislature's website at <http://www.guamlegislature.com>.

Outlook and Challenges Ahead



PUC's Outlook

The Public Utilities Commission anticipates an increasing workload due to the new entities which have been placed under its regulatory supervision, including the Port Authority of Guam and the Department of Public Works Division of Solid Waste Management. The workload for regulation of telecommunications companies continues to grow.

In recent years, the PUC caseload has more than doubled. Nonetheless, it has been successful in reducing the cost of regulation. Overall regulatory expenses have decreased by 16%.

Possible Rate Increases for Ratepayers

There are a number of pressures on utility rates which could lead to additional rate increases. GWA is required to replace and upgrade its water and wastewater infrastructure by virtue of the District Court Order. GPA has also been required to make substantial repairs and improvements to the power system, including Cabras plant overhauls. Funding for such system improvements can only be obtained through rates. There also continues to be pressure on rates caused by rising fuel prices.

Despite the challenges, the Commission is committed to handling its duties in the upcoming year in a professional and efficient manner while ensuring that rates continue to be just and reasonable.



Commissioner Vacancies

The Public Utilities Commission currently has two commissioner vacancies. Due to these vacancies, it has been, on occasion, difficult and challenging for the PUC to secure a quorum to take action on the number of regulatory matters before it. PUC's enabling legislation mandates that any PUC action requires the affirmative vote of four commissioners at a meeting with a quorum of four commissioners.



We want to hear from you! Do you like this report? Do you think it should contain any other information? Please call Lourdes Palomo, Public Utilities Commission Administrator, at (671) 472-1907.