

**PUBLIC UTILITIES COMMISSION
OF GUAM**

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December 21, 2012

SENT VIA HAND DELIVERY

The Honorable Governor Eddie Baza Calvo
Governor of Guam
Ricardo J. Bordallo Governor's Complex
Adelup, Guam

**Office of the Speaker
Judith T. Won Pat, Ed. D.**
Date 12-21-12
Time 12:45 PM
Received by [Signature]

The Honorable Judith T. Won Pat
Speaker, 31st Guam Legislature
155 Hesler Street
Hagatna, Guam 96910

Re: Guam Public Utilities Commission FY12 Annual Report

Dear Governor Calvo and Speaker Won Pat:

In accordance with the mandate of 12 GCA §12003, the Guam Public Utilities Commission respectfully submits its Annual Report for fiscal year 2012.

Attachment A summarizes the significant regulatory actions taken by PUC in FY12. Further information about these activities can be obtained from the referenced documents, which are available at the PUC's office, or in some cases, on PUC's website [www.guampuc.com].

PUC currently has three commissioner vacancies. Two Commissioner terms, those of Commissioners Joseph McDonald and Filomena Cantoria, are expiring. Both Commissioners have provided exemplary service to the Commission and desire to be reappointed.

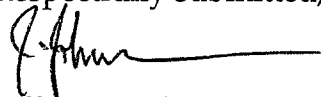
In addition, there is a vacancy for the power generation or water/sewer utilities position. An application was received by the PUC from Andrew Niven, a

OFFICE OF THE GOVERNOR
CENTRAL FILES
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TIME 12:50 PM DATE 12/21/2012

resident of Guam (and a former member of the Rhode Island PUC). We have forwarded that application to your office for consideration. During the past fiscal year, there have been occasions on which the PUC did not have a quorum of commissioners to act on certain matters. The 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 respectfully request your kind assistance in filling the three commissioner vacancies at the earliest opportunity. The PUC anticipates that numerous pressing rate and other regulatory matters will come before it in the ensuing year. As to the increased telecommunications workload and the placement of the Port Authority of Guam and the Guam Solid Waste Authority under the regulatory supervision of the PUC, it is critical that the Commission have a full compliment of Commissioners. Thank you very much for your consideration in this regard.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jeffrey C. Johnson', with a long horizontal line extending to the right.

Jeffrey C. Johnson
Chairman

Enclosure: Attachment A

Attachment A
Significant Regulatory Action - FY2012

<i>Date</i>	<i>Docket</i>	<i>Action</i>
Guam Power Authority		
11/7/11	GPA 11-10	PUC approved the GPA FY2012 Capital Improvement Project Ceiling Cap, which includes the GPA budget for engineering projects and general plant in the amount of \$8.4+M.
11/7/12	GPA 10-11	PUC Order clarified GPA is not required to seek approval of its FY2012 Construction Budget from the PUC; the Contract Review Protocol only requires <u>filing</u> of the GPA budget with PUC. The entire Construction Budget for GPA for FY 2012 is approximately \$58M.
1/11/12	GPA 11-12	PUC authorized GPA to proceed ahead with two renewable energy contracts [solar/wind] with Quantum and Pacific Green Resources; legislation requires GPA to have at least 5% of its net energy resources as alternative energy by 2015.
1/11/12	GPA 11-13	PUC authorized GPA to proceed ahead expeditiously with its Smart Grid project (partially federally funded); unless the project proceeds ahead quickly, GPA could potentially lose \$17M in federal grant funds.
1/11/12	GPA 11-14	PUC authorized GPA to proceed with the construction of its new office facility in Fadian. The new office building/complex will be approximately 123,000 square feet. The \$35M funding for such project was previously authorized in the GPA 2010 Bond Issue.
1/11/12	GPA 11-15	PUC approved GPA's plan to repair the Dededo Combustion Turbines 1 & 2; the cost is in the range of \$16 to \$20M each. The availability of these units will

improve the backup reliability of the system and provide support to the Andersen Air Force Base Load.

<i>Date</i>	<i>Docket</i>	<i>Action</i>
1/11/12	GPA 11-02	PUC approved the Program Management Contracts for GPA and GWA; RW Armstrong for GPA and Brown & Caldwell for GWA. Under the contracts, project management services will be provided for bond funded projects over a 36-month period in the amounts of \$3.9M and \$3.2M respectively.
2/6/12	GPA 11-16	PUC approved a very slight decrease in the Levelized Energy Adjustment Clause [fuel price charge] for GPA customers over the next six month period.
2/6/12	GPA 11-17	PUC authorized GPA to proceed with the procurement of enterprise resource planning software, a customer information system, and for software implementation services.
3/26/12	GPA 10-03	PUC approved GPA's New Fuel Hedging Program; the program involves call option, puts, and an array of instruments that can be used by GPA to hedge the fuel cost and protect customers against swings in the price of fuel oil.
3/26/12	GPA 12-01	PUC approved GPA's Petition for "Regulatory Services" with the firm R.W. Beck, but reduced the amount from \$245,000 to \$200,000 for the work on the Consulting Engineer's Report. The services included have been fuel hedging, nuclear options, preparation of the rate case, the working capital fund, the cash reserves study and the 10 year financial plan.
3/26/12	GPA 12-02	PUC denied GPA's Petition for the "contract buyout" of certain investment contracts [Bond Reserve Forward Delivery Agreements] that had been entered into with Lehman Brothers in September 2000; the PUC found that the proposed buyout amount of \$4.5M in cash is not prudent and not in the interest of ratepayers.

<i>Date</i>	<i>Docket</i>	<i>Action</i>
5/7/12	GPA 11-09	After lengthy proceedings involving a proposed rate increase, the PUC approved the FY2012 Multi-Year Base Rate Increase. For the average 1,000 kWh residential customer, the bottom line was a 3.39% total increase on the bill.
5/7/12	GPA 11-13	PUC approved GPA's Smart Grid Contract for Network Communications with Tropos Networks Inc. in an approximate cost of \$5.243M [funded by bond funds].
6/11/12	GPA 10-08	PUC approved GPA's Performance Management Contract for the Management, Operation and Maintenance of the GPA Fuel Farm Bulk Storage Facility with Vital Energy Inc. The cost for the three year contract is approximately \$2.15M.
6/11/12	GPA 10-09	PUC approved an increase by GPA in the amount of bond funds allocated for environmental services to TRC Corporation under its contract for the Ambient Air Quality Monitoring Project. An additional amount up to \$1.5M was authorized for the first contract year.
6/11/12	GPA 11-12	PUC now approved the final renewable Energy Purchase Agreement between GPA and Quantum Guam Power LLC. Quantum will construct a 20 megawatt Solar Project. GPA will purchase solar power from Quantum. GPA has an option to purchase the facility for appraised value at the end of the 25-year contract.
6/11/12	GPA 11-13	PUC approved GPA's contract with Landis & Gyr under the Smart Grid Project for purchase of Electric Smart Meters and Advanced Meter Infrastructure Construction in an amount up to \$9.759M.
7/30/12	GPA 12-04	PUC authorized GPA to extend its current Engine Cylinder Lubrication Oil Contract with IP&E Guam LLC for a two year period; this contract supplies the

Cylinder Lubrication Oil needed for the Cabras Units 3 & 4.

<i>Date</i>	<i>Docket</i>	<i>Action</i>
7/30/12	GPA 12-05	PUC authorized GPA to extend each of its Diesel Fuel Oil Contracts for the Northern and Southern Plants for a period of two years; this Diesel Fuel is necessary for the GPA Diesel-Fired power plants to provide necessary generation capacity and to avoid shutdowns.
7/30/12	GPA 12-06	PUC approved a 1.95% decrease in the Levelized Energy Adjustment Clause [LEAC] factor for average residential customers. The Order also established LEAC factors for primary and other transmission level customers.
7/30/12	GPA 11-13	PUC approved GPA's proposed Contract under the Smart Grid Project for Substation Automation (upgrade of GPA's Substation Network through the replacement of electromechanical relays and relay communications and system protection practices). The cost is approximately \$3.2M.
7/30/12	GPA 12-07	PUC approved GPA's use of 1999 bond funds in an amount up to \$6M for the Cabras 1 & 2 Distributed Control System Conversion. The existing pneumatic control system will be upgraded to a distributed control system.
7/30/12	GPA 12-08	PUC approved the new GPA Utility Services Contract with the U.S. Navy. This Contract replaces the prior Customer Services Agreement with the Navy. The new contract insures a steady stream of revenue to GPA in the amount of \$70M per year for ten years.
7/30/12	GPA 12-09	PUC authorized GPA to issue a procurement for Residual Fuel Oil No. 6 for the Base Load Power Generating Plants. The present contractor Petrobras does not wish to renew its contract. The annual cost of this contract is currently above \$350M per year.

8/27/12	GPA 11-09	PUC approved certain Rate Design and Tariff Revisions by GPA concerning the previously issued FY2012 Rate Decision. GPA was authorized to reduce the demand portion of the bill for demand customers from 30% to 10%. The Order also implemented the decrease of the minimum demand for schedules J and K from 25 kW to 10 kW. Furthermore, GPA's existing rules were modified to allow reclassification for customers either upward or downward from one rate schedule to another based upon a six month reclassification criterion rather than the previous 12 month criterion.
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<i>Date</i>	<i>Docket</i>	<i>Action</i>
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9/25/12	GPA 12-03	GPA proposed a bond refinancing/restructuring plan to restructure its debt service on existing bonds through the financial markets. GPA would restructure payments of the principal and interest of its bonds and Independent Power Producer payments over the period of 2013 to 2034. GPA's goal is cash flow and savings of \$9M per year from 2013 through 2018. With "refunding", payments on the (93 Bonds) and (99 bonds) would be refinanced at present interest rates, likely saving GPA between \$900,000 and \$1M per year from 2013 to 2034. The final element of the plan is to allow GPA to buyout the Lehman Brothers Forward Bond Delivery Agreements at a cost of \$4.5M. PUC approved the plan submitted by GPA with certain restrictions. The TIC [total interest cost] transaction was set at 4.95. GPA was required to achieve a 2% Net Present Value for the entire bond issuance.
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Guam Waterworks Authority

2/6/12	GWA 12-01	The PUC authorized the Administrative Law Judge to commence proceedings on determining rates that the Guam Solid Waste Authority will charge to GWA by selecting and removing leachate from the Leyon Landfill. At present, the rates for leachate charged by GWA to its customers will also be determined.
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<i>Date</i>	<i>Docket</i>	<i>Action</i>
2/6/12	GWA 12-01	PUC, through its Chairman, authorized GWA to issue a procurement for property insurance, for insurance, including property insurance, general liability, directors and officers, automobile, primary etc.
3/26/12	GWA 12-02	PUC approved a rate for the treatment of leachates from the Leyon Landfill whereby GWA will charge Guam Solid Waste Authority [GSWA] \$14.19 per thousand gallons of leachate.
3/26/12	GWA 12-02	PUC approved GWA's award of its Insurance Contract to AM Insurance for property, General Liability, directors and officers, automobile, primary insurance, etc. The total cost of the insurance is \$1.2M per year.
7/30/12	GWA 11-01	PUC approved GWA's request to reprogram \$23M in Bond funds, subject to one major qualification: GWA would be required to retain \$20M in bond funds and pay such amount to the government of Guam. In SP118-11, the court found that PUC did not have authority to "order" GWA to pay the \$20M to the government of Guam; however, the court upheld the constitutionality of Public Law 30-145, which obligated GWA to pay \$20M to government of Guam on prior bond obligations. Consistent with the court decision, the PUC vacated its June 2, 2011 Order, which had ordered GWA to pay \$20M to the Government of Guam. However, the Amended Order recommended that GWA pay the amount of \$20M to the Government of Guam.
9/25/12	GWA 11-01	GWA requested reconsideration of the prior PUC Order which conditioned GWA's reprogramming of \$23M in Bond Funds upon payment by GWA of its \$20M obligation to the government of Guam. GWA had, in the meantime, filed a new lawsuit on this matter. The matter was continued for further consideration by the ALJ. By stipulation of the parties, the court case has now been continued to late 2013.

Telecommunications

<i>Date</i>	<i>Docket</i>	<i>Action</i>
Teleguam Holdings LLC dba GTA		
11/7/11	GTA 11-09	PUC approved a Stipulation between GTA and Pacific Data Systems Inc. whereby PDS would provide future forecasts of needed telecom services to GTA within 30 days after PDS received a valid request from GTA.
11/7/11	GTA 11-12	GTA proposed a tariff whereby businesses would be allowed to purchase "fractional primary rate interface service": businesses could purchase a fractional amount of the normal primary rate interface of 23 voice channels and one data channel. The PUC approved Tariff Transmittal No. 18 for the Introduction of Fractional Primary Rate Interface - Integrated Services Digital Network [FPRI].
1/1/12	05-01	PUC had previously ordered that GTA amend its general exchange tariff to clarify whether the tariff applied to GTA Telecom LLC or not. GTA filed a motion to stay that order on the grounds that GTA Telecom had filed an application to transfer its Certificate of Authority back to Teleguam. The PUC approved GTA's request to "stay" the prior Order: if Telecom's Certificate of Authority is transferred to Teleguam, there would be no further reason for GTA to amend its general exchange tariff to include Telecom.
2/22/12	GTA 12-01	GTA requested that its application for an Individual Case Basis Tariff for the Joint Region Marianas will now be heard at next month's PUC meeting. The PUC approved GTA's Stipulation and entered a suspension order indicating that GTA's ICB Application would not go into effect unless acted upon by the PUC.

<i>Date</i>	<i>Docket</i>	<i>Action</i>
3/26/12	GTA 12-01	PUC approved GTA's Individual Case Basis Filing for Joint Region Marianas; GTA was authorized to give a cost of \$.10 per Direct Inward Dial Number assignment to the military. However, the Administrative Law Judge was authorized to commence a separate docket as to whether the ICB price for DID service for the military was discriminatory, as there is a charge of \$2 per DID number assignment to business and civilian customers.
3/26/12	GTA 11-14	GTA sought to consolidate its corporate organization under Teleguam Holdings. Teleguam Holdings and GTA Telecom LLC moved for approval for the Assignment and Transfer of Telecom's Certificate of Authority and Eligible Telecommunication Certificate to Teleguam Holdings LLC. The PUC approved the Joint Application to transfer the Certificate of Authority and Eligible Telecommunications Certificate from GTA Telecom to Teleguam Holdings.
4/11/12	GTA 11-06	The Bureau of Information Technology [BIT] filed a petition alleging that GTA was providing Metro Ethernet Services to government of Guam since 2007 without a proper tariff, in violation of 12 GCA §12106(C). BIT contended that it was entitled to a refund from GTA for amounts that it had paid for the Metro Ethernet Services. PUC denied BIT's Petition finding that it lacked jurisdiction over the 5-Megabit Metro Ethernet Services, as such services are "interstate" in character and non-regulated. The PUC also held that BIT's claims for a refund were barred by statute of limitations and other grounds.
6/1/12	GTA 11-14	GTA made a motion to amend the prior Order, which transferred Telecom's Certificate of Authority to Teleguam. GTA had omitted to include in its Petition that the Eligible Telecommunications Certificate of Pulse Mobile should also be transferred to Teleguam. The Commissioners approved the

transfer of Pulse Mobile's ETC Certificate to Teleguam Holdings.

<i>Date</i>	<i>Docket</i>	<i>Action</i>
7/30/12	GTA 12-02	GTA filed Tariff Transmittal No. 19 with the PUC, which sought to revise the tariff governing the telephone assistance programs [the programs provide subsidies to eligible low-income customers in Guam and the "Lifeline Services."]. The "Link-Up" subsidy was eliminated by the FCC and now by GTA in its Regulations. The monthly amount of the life-line subsidy was also amended. The PUC approved Tariff Transmittal No. 19, with the changes as revised.
7/30/12	GTA 12-04	PUC approved GTA's Individual Case Basis Filing for ISDN/Primary Rate Interface and Block Direct Inward Dial number assignments to Holiday Resort.
8/27/12	GTA 12-06	PUC, through its Chairman, approved an Amendment to the Interconnection Agreement of GTA and PDS which provided new pricing for "virtual collocation rack space" and a new monthly recurring charge of \$1.05 per rack-unit ordered.
9/25/12	GT 12-03	PUC ratified the Chairman's approval of amendments to the Interconnection Agreement of Teleguam Holdings and Guam Telecom.
9/25/12	GTA 12-07	PUC approved the Annual Universal Services Administration Company [USAC] Certification for Teleguam Holdings LLC, indicating that Teleguam does provide the nine core services required under federal law and had submitted its required 5-year progress plan.
9/25/12	GTA 12-08	PUC approved the annual USAC Certification for Pulse Mobile, finding that it provides the nine core services required under federal law and had filed its five year progress plan.

<i>Date</i>	<i>Docket</i>	<i>Action</i>
9/25/12	GTA 12-09	PUC approved the assignment and transfer of GTA Telecom's Interconnection Agreement with PTI Pacifica Inc. to Teleguam Holdings LLC.
Guam Telecom LLC		
2/6/12	GT 12-01	PUC, through its Chairman, approved Guam Telecom's Request for a \$2.00 increase in business telephone line and key-line service charges, with a monthly recurring rate going from \$27.99 to \$29.99.
3/26/12	GT 11-03	PUC ratified the USAC certification which had previously been signed by the Chairman for Guam Telecom.
3/26/12	GT 12-01	PUC ratified the Order executed by the Chairman which had approved the increases sought by GT for business line and key line services.
9/29/12	GT 12-02	PUC approved the USAC Certification for Guam Telecom LLC, finding that it had complied with all of the requirements of federal law and had filed a detailed five year build out plan.
Pacific Data Systems		
11/7/11	PDS 11-01	PDS requested that the PUC change the manner in which it makes its Administrative Assessments to the Telecom Companies. The PUC approved an Order which retained the current methodology for assessment of PUC Administrative expenses for telecommunications companies.
7/30/12	PDS 12-01	PDS filed a complaint which indicated that GTA had been unwilling to connect dark fiber to PDS facilities at the Guam International Airport. The parties then stipulated that virtual collocation arrangements could be made at the GTA Servicing Wire Center located within the airport facility. The PUC approved the collocation plan and pricing of the parties, but

retained jurisdiction over the issue of allocation of the expenses of the proceeding to the parties.

<i>Date</i>	<i>Docket</i>	<i>Action</i>
9/27/12	PDS 12-01	With regard to the allocation of PUC expenses in this Docket, the PUC held that PDS would be responsible for expenses and costs related to the motion to disqualify that PDS had brought; however, the expenses regarding the substantive dispute between the parties would be shared equally by the parties.
PTI Pacifica Inc. dba IT&E		
9/27/12	PTI 12-01	PUC approved the Annual USAC Certification for PTI, finding that it complies with the requirements of federal law and had submitted a detailed five year "build-out" plan indicating the improvements it had made in its telecommunications services.
iConnect		
3/26/12	CP 11-01	PUC ratified the Chairman's Order declining jurisdiction over Choice Phone's Petition to designate Eligible Telecommunications Carrier Status for CP in Guam and Saipan on the ground that CP should properly file its application with the Federal Communications Commission.
The Port Authority of Guam		
1/11/12	PAG 11-01	PAG filed a Petition for Tariff Rate Relief. PAG sought to increase charges for port entry fees, dockage fees, security fees, maintenance fees, utility connection fees, wharfage fees, stevedoring, transshipment fees, etc. Finding that the Port had not had a significant rate increase since 1993 the PUC approved the rate increases sought by the Port and ordered that the submission of a five year rate plan by the Port in six months include documentation to substantiate the policy behind the differential in the import-export charges. The general rate increase was in the vicinity of 3.9%.

<i>Date</i>	<i>Docket</i>	<i>Action</i>
2/12/12	PAG 11-01	PUC adopted certain amendments to its prior Tariff Rate Relief Order: the effective date of the rate increases was extended until March 1, 2012; the due date for certain reports, including a five year rate plan, a sensitivity analysis to determine the impact of events in Japan and the US regarding the buildup and the impact of the current throughput of materials on the Port's ability to generate revenues, was extended until August 22, 2012; by August 22, 2012, the Port would file its plan for upgrade of the Marina facilities and by November 22, 2012, the Port would file a financing plan on the completion of Phase I and Phase II of the 2007 Master Plan. Finally, the Amended Order authorized the ALJ to undertake a proceeding to set a debt service ratio for the Port.
5/7/12	PAG 11-01	PUC approved an Amended Rate Tariff Order which required that the Port conduct a Management Audit rather than a "Sensitivity Analysis" concerning impacts of the buildup; however, the PUC reserved the right to require a Sensitivity Analysis at a later time.
7/30/12	PAG 11-01	PUC again amended certain deadlines by which the Port was required to submit reports under the Rate Tariff Order. By August 22, 2012, the Port would be required to file its five year rate plan and a management audit concerning such matters as staffing, terminal operations, management techniques, and material handling equipment analysis. On November 22, 2012, the Port was required to file a financing plan for completion of Phases I and II of the 2007 Master Plan.
8/27/12	PAG 11-01	The ALJ recommended further modifications for the deadlines on the submission of reports. The deadline for submission of all reports required under the Rate Tariff Order was extended to October 22, 2012. The date for PUC held that the date for submission of the financing plan would remain as November 22, 2012.

<i>Date</i>	<i>Docket</i>	<i>Action</i>
8/27/12	PAG 12-01	PAG filed a Petition with PUC requesting approval of the purchase of the Port of Los Angeles [POLA] Cranes, and the Sales Agreement and Interim Maintenance Agreement. Public Law 30-57 and other laws require the Port to purchase or lease-to-own at least two gantry cranes no later than December 31, 2012. Upon a thorough analysis and consideration of the Reports of its consultants and the ALJ, the PUC approved the purchase of the three POLA cranes.
9/25/12	PAG 12-01	The Port sought a loan with ANZ Bank to finance the purchase of the POLA cranes. A fifteen year loan at 6% interest with a total cost of \$12M had been negotiated. The PUC approved the proposed loan terms between PAG and ANZ for the purchase of the POLA cranes and authorized PAG to proceed with the loan.
9/25/12	PAG 12-03	PAG sought approval of its Insurance Contract with AM Insurance for coverage including property, general liability, directors and officers, automobile and prime insurance. The PUC approved PAG's insurance contract with AM Insurance.

Guam Solid Waste Authority

7/30/12	GSWA 12-02	Under P.L. 30-165, GSWA is required to establish a "Host Community Premium"; the Legislature determined that the villages of Inarajan and Ordot were to be awarded the amount of \$150,000.00 per year as a "premium" for the detriment of having landfills in their communities. The premium is to be funded through solid waste tipping fees. The PUC approved the Host Community Premium Benefit Surcharges of \$3.57 per ton assessed upon commercial customers and \$.38 per month assessed upon residential customers.
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Date *Action*

PUC Administrative Matters

- 2/22/12 The PUC approved the Consulting Agreement between Shaw Consultants International and the PUC. Shaw was selected by PUC under procurement PUC 11-01 to provide consulting services to the PUC regarding water and power matters.
- 5/7/12 The PUC approved the selection of Ideal Advertising as the website services provider for the PUC.
- 7/30/12 PUC approved Resolution 12-01, Authorization for Procurement of Solid Waste Consultant.
- 8/27/12 PUC approved the Telecommunications Consultant Agreement between the PUC and Slater, Nakamura & Co. under RFP No. 11-02.
- 9/25/12 The PUC approved its Administrative Budget for FY2013, and its Administrative Assessment Order for the utilities. In various resolutions, the PUC extended the contracts of its Administrator, Attorney, Administrative Law Judge, and Consultants for an additional year.