

4. On May 2, 2012, the ALJ filed an ALJ Report addressing PAG's March 30, 2012 request.

5. In the May 2, 2012 ALJ Report, the ALJ found that Slater Nakamura, Inc., a consultant for the PUC, recommended that PAG conduct a sensitivity analysis since "the single most important event" "driving much of the planned expansion" "is the proposed military build-up for Guam."

6. The ALJ further found that the Cornell Group, Inc., a consultant for PAG, noted that "the planned military build-up may be delayed by two or more years, and may affect the funding, revision of tariffs and the expansion of the port" and that "the cost of operation at the port is high compared to the revenue generated by the port."

7. Based on local media reports, the ALJ found it highly likely that the U.S. intends to move forward with the realignment of U.S. Marines from Okinawa to Guam, that thousands of military personnel will be transferred to Guam in the coming years, and that the total cost of the realignment may be reduced significantly.

8. The ALJ therefore found that in light of the ongoing plans for an impending military buildup, some sensitivity analysis should be performed so that PAG may ascertain the impact of such military buildup, including any deferment thereto, on PAG's ability to generate the revenue needed to service its debts.

9. In addition, the ALJ further found that an assessment of PAG's operation costs compared against its current revenue would be useful at this juncture, and therefore recommended that the PUC grant PAG's request to substitute a management audit, in lieu of a sensitivity analysis, yet reserve its right to require PAG to conduct such sensitivity analysis at a later time.

The Commission hereby adopts the findings made in the May 2, 2012 ALJ Report and, therefore, issues the following:

ORDERING PROVISIONS

Upon consideration of the record herein, PAG's March 30, 2012 request, the May 2, 2012 ALJ Report, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS that:

1. PAG's request to substitute a management audit of PAG's operations in place of the sensitivity analysis report required under the PUC's January 11, 2012 Order is approved.

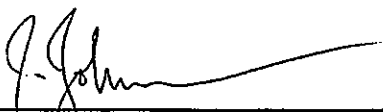
2. Accordingly, by August 22, 2012, PAG shall file a management audit, which shall include: (1) a staffing pattern analysis comparison with other ports of similar operations, including identification of required delegation of duties and procedural requirements (e.g., types of positions, number of personnel, job specifications and comparable salaries); (2) an evaluation of port and terminal functions and operations; (3) an analysis of terminal management techniques, warehousing system and purchasing and inventory control to include spare parts inventory control; (4) an analysis of all material handling equipment operations including the training and certification requirements of personnel to operate the equipment and maintain it to the highest degree of reliability and dependability (preventive maintenance program); and, (5) recommendations with respect to improvement.

3. The PUC reserves its right to require that PAG conduct a sensitivity analysis to determine the impact of the deferment of the U.S. military buildup, along with the current throughput of materials on the ability of PAG to generate the revenue it needs to service its debts, and thus file a report on such sensitivity analysis.

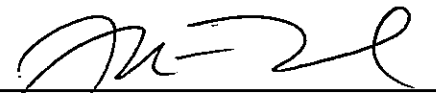
4. All other provisions ordered by the PUC in its January 11, 2012 Order shall remain in effect.

5. PAG is further ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with conducting the rate relief investigation. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the PUC.


SO ORDERED this 7th day of May, 2012.



Jeffrey C. Johnson
Chairman




Joseph M. McDonald
Commissioner



Rowena E. Perez
Commissioner

Filomena M. Cantoria
Commissioner



Michael A. Pangelinan
Commissioner

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