



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN RE: PETITION FOR TARIFF RATE )  
RELIEF BY THE PORT )  
AUTHORITY OF GUAM )

PAG DOCKET 11-01

ALJ REPORT RE: STATUS  
OF MULTI-YEAR RATE PLAN

This matter comes before the Guam Public Utilities Commission (the "PUC") pursuant to the June 28, 2011 Base Rate Case Petition filed by the Jose D. Leon Guerrero Commercial Port, Port Authority of Guam ("PAG" or the "Port"), which sought to increase rates contained in PAG's terminal tariff.

On June 28, 2011, PAG filed a Base Rate Case Petition requesting an increase in rates contained in the terminal tariff. The PUC thereafter held a rate investigation, as well as public hearings. On January 11, 2012, the PUC issued an Order approving the tariff and labor rate increases, as well as corresponding regulations. In the same Order, the PUC requested that PAG file a five (5) year rate plan, along with other deliverables.

On July 24, 2012, PAG requested an extension of its reporting deadlines, mandated by the January 11, 2012 Order, to October 22, 2012. The PUC granted the extension. On October 22, 2012, PAG filed its Five Year Rate Plan ("Five Year Plan"). On April 11, 2013, PAG's consultants from Parsons Brinckerhoff ("Parsons") and members of PAG's management held a meeting with the Administrative Law Judge of the PUC (the "ALJ") to discuss the Five Year Plan, along with other issues, such as the possible submission of an interim rate petition, and updates to PAG's 2007 Modernization Plan. The following is a status report on these matters.

A. Five Year Rate Plan and Possible Rate Petition

At the April 11, 2013 meeting, the Parsons consultants, members of PAG's management, and the ALJ discussed the Five Year Plan, along with other issues, such as the

possible submission of an interim rate petition, and updates to PAG's 2007 Modernization Plan. In particular, the consultants expressed the possibility of petitioning the PUC for an interim rate increase for FY2014. The consultants advised that it is likely that an interim rate petition would be filed in the coming months. In addition, the consultants advised that it would still pursue a multi-year rate petition on behalf of PAG, but that such petition would be filed following the completion of updates to the modernization plan. PAG advised the ALJ that certain deliverables required under the PAG docket involving the Port of Los Angeles gantry cranes ("PoLA Cranes") may require some extensions to the existing reporting deadlines.

According to the Five Year Plan submitted by PAG on October 22, 2012, PAG is operating under certain presumptions that include the following. "PAG is focused on making meaningful improvement but with limited upfront investment until it gains assurance that cargo revenues will be sufficient to sustain the investments."<sup>1</sup> Additionally, "PAG is assuming the build-up will happen but wants to temper its approach to consider it will be delayed and very well may be downsized."<sup>2</sup> Next, PAG is also "focusing on service-life extension of the existing wharf structures and will be handling 'light-loaded' Panamax class cargo vessels for the next 20 years."<sup>3</sup>

It also appears that PAG has established a "minimum recommended PMP" to include the following: small container yard expansion; new but smaller and relocated gate complex; expanded break-bulk yard; improved access to Berth F-4 and B-B facility through

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<sup>1</sup> Parsons Brinckerhoff's 5-Year Tariff Projection and 20-Year Financial Plan, PAG Docket 11-01, p. 19 (October 2012).

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

the demolition of WH2; systems upgrades for PAG's financial management system, terminal operating system, and gate operating system; and service life extension wharf work."<sup>4</sup>

In the Five Year Plan, PAG presents nine financial scenarios. These scenarios were structured around the scale and timing of the U.S. military build-up, and the level of expenditure and recapitalization PAG would undertake to account for such growth. Two financial scenarios involve the following: (1) the consideration of organic growth with minimum investment, in the amount of \$78.5 million, and which includes expenditures for uplands investment, the crane purchase, system upgrades, and SLE wharf repair work<sup>5</sup>; and (2) the consideration of organic growth with maximum investment, in the amount of \$100.5 million.<sup>6</sup>

The next two scenarios involve the following: (1) the consideration of a half-sized military build-up with minimum investment, in the amount of \$78.5 million<sup>7</sup>; and (2) the consideration of a half-sized military build-up with maximum investment, in the amount of \$100.5 million.<sup>8</sup> The other scenarios involve the following: (1) the consideration of a full-sized military build-up with minimum investment, in the amount of \$78.5 million, and which takes into account 1,500 military personnel arriving in the first three years, an additional 2,500 in the next four years, and 25,000 arriving in the final two years<sup>9</sup>; and (2) the

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<sup>4</sup> *Id.*

<sup>5</sup> *Id.* at 47.

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> *Id.* at 48.

consideration of a full-sized military build-up with maximum investment, in the amount of \$100.5 million.<sup>10</sup>

Finally, the last scenarios involve the following: (1) the consideration of organic growth with a 3.95% tariff increase<sup>11</sup>; (2) the consideration of a half-sized build-up, delayed five years, with a 3.95% tariff increase<sup>12</sup>; and (3) the consideration of a full-sized build-up, delayed five years, also with a 3.95% tariff increase.<sup>13</sup> Parsons, however, contends that the projected revenue under this particular set of scenarios would be insufficient to cover the capital investments planned before 2018.<sup>14</sup> The consultants, therefore, submit that “[i]f this tariff rate increase is used, it is likely that many of the planned investments will need to be delayed until sufficient revenue is available to fund the investments beyond the PoLA Cranes.”<sup>15</sup> Accordingly, PAG will likely petition the PUC for approval of revisions to the tariff rates based on the “organic growth” scenarios discussed above.

**B. Port Modernization Plan**

During the April 11, 2013 conference between the Parsons consultants, members of PAG’s management, and the ALJ, the consultants advised that PAG intends to update its 2007 Port Modernization Plan. The consultants further advised that the update will reflect a downsizing from the former blueprint, but would focus on sustainability for both the aging and new facilities. Accordingly, one element of the update would include service life extension repairs. Other elements include an expansion of the break-bulk yards, as well as

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<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

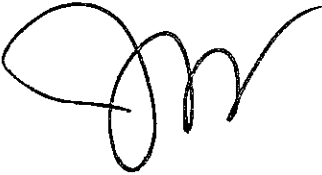
<sup>13</sup> *Id.*

<sup>14</sup> *Id.* at 49.

<sup>15</sup> *Id.*

system upgrades. In addition, the consultants expressed that the update will reflect the Port's move towards becoming more self-sufficient through revisions to the tariff structure. This master plan will be submitted to the Guam Legislature for its review within the coming months.

Dated this 26<sup>th</sup> day of April, 2013.

  
for \_\_\_\_\_  
**DAVID A. MAIR**  
Administrative Law Judge

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