

January 28, 2014, the Administrative Law Judge of the PUC (the “ALJ”) issued an ALJ Report detailing his findings and recommendations with respect to PAG’s Petition.

In the January 28, 2014 ALJ Report, the ALJ made the following findings based on: PAG’s Petition; Resolution No. 2013-03 issued by PAG’s Board of Directors approving the proposed terminal tariff rate increase; the written testimony from PAG management and Parsons Brinckerhoff, PAG’s consultants; the January 22, 2014 and January 23, 2014 public hearings; and the January 20, 2014 Report submitted by Slater Nakamura.

At the public hearings conducted by the ALJ in the villages of Asan on January 22, 2014, Dededo on January 22, 2014, and Hagåtña on January 23, 2014, no testimony was given by any member of the public. In addition, no written testimony from the public was submitted.

With respect to the SLE projects for repairs to PAG Wharfs F3, F4, F5, and F6, the ALJ found that such projects were reasonable, prudent, and necessary given the condition of the wharfs, based on the record before the Commission. The ALJ found that the record indicated that the Port is “sorely in need of catch-up maintenance on aging buildings, utilities, pavements, and wharf facilities.”¹

With respect to the purchase of new cargo handling equipment, as well as the Financial Management Systems upgrade, the ALJ further found that these purchases were reasonable, prudent, and necessary given PAG’s need to replace old equipment and improve its current financial management system. The ALJ found that the record reflected that PAG’s “container yard equipment average age is over ten years old”; and that “[c]ontinued maintenance and repairs to these old equipment is not financially feasible, since repair and maintenance cost

¹ Petition, Tab 5 (“Direct Testimony of Jeffrey Peck”), p. 3 (July 17, 2013).

more than the present value of the equipment.”² The ALJ found that the record also reflected that PAG “needs improvement through structured planning, better data capture and management, and institutionalized tariffs aligned with the true cost of doing business.”³

Accordingly, the ALJ further found that the rate relief sought in this instance to help service the debt for such SLE repairs and purchases was reasonable and appropriate at this juncture since “[t]he Port is currently in relatively poor condition as a result of normal aging (facilities being for the most part over 50 years old) and less than sustainable investment in maintenance and improvement since the facility was turned over by the Navy in the late 1960s”⁴; and that the instant tariff increases would provide some relief to allow PAG to “move forward with known high priority front-end Modernization Program Investments (and related cash flow, loans, debt-service coverage ratio requirements) and avoid losing ground to inflation.”⁵

Ultimately, the ALJ found that PAG’s tariff rate increase and adjustments were “just” and “reasonable” because such adjustments were necessary in order to enable PAG to “repay its debts, finance its obligations, finance its capital improvement needs and cover all its operating expenses” pursuant to 12 G.C.A. §12017.

The Commission hereby adopts the findings made in the January 28, 2014 ALJ Report, and therefore, issues the following:

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² Petition, Tab 4 (“Direct Testimony of Rudel Mangubat”), p. 2 (July 17, 2013).

³ Petition, Tab 5 (“Direct Testimony of Jeffrey Peck”), p. 3 (July 17, 2013).

⁴ Petition, Tab 5 (“Direct Testimony of Jeffrey Peck”), p. 3 (July 17, 2013).

⁵ Petition, Tab 5 (“Direct Testimony of Jeffrey Peck”), p. 3 (July 17, 2013).

ORDERING PROVISIONS

Upon careful consideration of the record herein, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS the following:

1. PAG is authorized to implement the proposed 5.65% increase to PAG's Terminal Tariff rates, which are indicated in "Appendix A" of the January 20, 2014 Slater Nakamura Report, titled "Recommended PAG Tariff Rate Table," with the exception of the Bunkering/Fuel Throughput/Waste Oil Rates and the Crane Surcharge, beginning March 2, 2014;

2. PAG shall seek approval of its Five Year Rate Plan as soon as possible; and which should include the following: reasonable cargo and revenue projections; reasonable expense projections, which shall also include the revenues and expenses related to crane operations, and which shall be sufficient proposed tariff increases to cover operating expenses and capital needs;

3. PAG shall file a report with the PUC detailing the status of its Five Year Rate Plan by May 15, 2014;

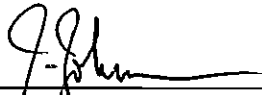
4. PAG shall file a report with the PUC detailing its review of the impact of the loss of transshipment revenue, which should also include a plan for replacement of such revenue or reduction PAG's expenses, by June 1, 2014;

5. PAG shall file a report with the PUC, which shall detail its review of the impact of adjusting salaries to 50th market percentile on PAG's financial stability, by June 1, 2014; and

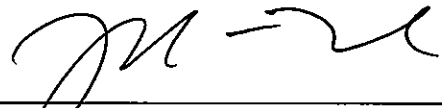
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6. PAG is further ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with this rate investigation. Assessment of the PUC's regulatory fees and expenses 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 30th day of January, 2014.




JEFFREY C. JOHNSON
Chairman



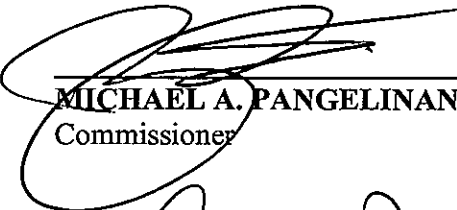
JOSEPH M. MCDONALD
Commissioner



ROWENA E. PEREZ
Commissioner




FILOMENA M CANTORIA
Commissioner



MICHAEL A. PANGELINAN
Commissioner



PETER MONTINOLA
Commissioner



ANDREW L. NIVEN
Commissioner

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