

GUAM PUBLIC UTILITIES COMMISSION  
SPECIAL MEETING  
MARCH 30, 2009  
SUITE 207 GCIC BUILDING, HAGATNA



**MINUTES**

The Guam Public Utilities Commission [PUC] conducted a special business meeting commencing at 6:00 p.m. on March 30, 2009, pursuant to due and lawful notice. Commissioners Johnson, Perez, McDonald, and Pangelinan were in attendance. The following matters were considered at the meeting under the agenda made *Attachment A* hereto.

**1. Approval of Minutes**

The Commission reviewed the meeting minutes of the regular meeting conducted on February 27, 2009. Subject to certain technical corrections, upon motion duly made, seconded and unanimously carried, the Commission approved the minutes of the February 27, 2009 meeting.

**2. Guam Water Works Authority**

The Commission next considered the recommendation of PUC's Consultant, Georgetown Consulting Group, Inc. [GCG], in GWA Docket 09-02, that the base rates of GWA be increased by 6.6%. This matter was previously discussed in detail at the PUC meeting of February 27, 2009, at which time the PUC issued an Order requiring that public hearings be scheduled on the recommendation of GCG. PUC Legal Counsel reported on the public hearings, which were held in Hagatna, Asan, and Dededo on March 19 and 20, 2009. At the public hearings, testimony was presented by various village Mayors and Vice-Mayors. PUC Legal Counsel submitted a proposed order to the Commissioners which recommended approval of the recommended 6.6% rate increase. Such approval is based upon a finding that the preponderance of evidence in the record supports the necessity of a rate increase for GWA to pay for increases in its power costs and Navy water costs. The base rate increase recommended by GCG appeared to be just, reasonable and in conformance with public law. Under 12 GCA §12004, the PUC is obligated to provide GWA rates that are adequate "[T]o cover the full costs of such service..." The Chairman questioned whether the base rate increase would include both water and sewer charges. Mr. Sam Taylor, GWA legal counsel, indicated that sewer charges would not affect residential rates because of the lifeline issue. The Chairman indicated his understanding that the sewer rates of various classes excluding lifeline would be

affected. The Chairman raised issues concerning GWA's current debt service coverage ratio. GWA officials indicated that the rate increase would assist them in meeting the required ratio. Commissioner McDonald asked what dollar amount the 6.6% increase calculated to. Greg Cruz, GWA Comptroller, stated that the amount would be approximately \$150,000 monthly. Commissioner Perez noted that there were discrepancies in the financial reports submitted by GWA in support of the rate increase. Jim Madan of GCG indicated that these discrepancies would be resolved in the pending rate case. With regard to the proposed draft Order approving Guam Water Authority Base Rate Increase, Commissioner Pangelinan stated that said ORDER should address the concerns which the Mayors had raised at the public hearings involving water leaks and GWA efficiency, and steps that had been taken by GWA to improve efficiency. Subject to inclusion of such material in the ORDER, upon motion duly made, seconded and unanimously carried, the Commission approved the 6.6% increase in the base rates of GWA, without a compression adjustment. The Order Approving Guam Water Works Authority Base Rate Increase adopted by the Commission is made *Attachment B* hereto.

### **3. Guam Power Authority**

- (a) Docket 02-04, Management Audit; GCG Recommendation on Virchow Krause Phase II Scope.

PUC Counsel presented the background on this matter. GPA hired Virchow Krause [VK] to conduct a management and organizational assessment of GPA. PUC and GPA had previously agreed that VK would also conduct a study comparing the staffing pattern and manpower levels of GPA and GWA to at least four (4) other utilities in the United States mainland providing similar services to a comparable number of customers, which is a statutory obligation of the PUC pursuant to 12 GCA §12001.2(d). It was understood that the scope of work Phase II of VK's study would be subject to prior PUC approval. On March 4, 2009, GPA filed its petition seeking PUC approval of the work plan for Phase II of VK's Comprehensive Management and Organizational Assessment of GPA. GCG recommended approval of the VK Phase II Work Scope, subject to a concern that GPA and VK had not adequately addressed requirements with regard to the study comparing the staffing pattern and manpower levels of GPA to mainland U.S. utilities as contained in 12 GCA §12001.2(d). PUC Counsel submitted a proposed DECISION AND ORDER to the Commissioners, which recommended approval of the VK Phase II Work Scope, and included a requirement that GPA and VK modify the language in the Phase II Work Scope to expressly reference the requirements of 12 GCA §12.001.2(d) and include in the work scope specific language requiring that VK conduct a study comparing the staffing pattern and manpower levels of the GPA to the staffing patterns and manpower levels of at least four (4) other utilities in the United States mainland.

Commissioner Pangelinan requested that a provision in the *Ordering Provisions*, which noted that if GPA did not strictly comply with the requirement of the 12 GCA §12.001.2 (d) it could not obtain rate relief in its base rate case, be moved to the "*Background*" section of the ORDER. Upon consideration of PUC Counsel Report, the recommendation of GCG, and good cause appearing, upon motion duly made seconded and unanimously carried, the Commission adopted the ORDER made *Attachment C* hereto, subject to the revision recommended by Commissioner Pangelinan.

- (b) Docket 08-06, Contract Review of Request for Proposals, Renewables under Integrated Resource Plan

PUC Legal Counsel indicated that, as GPA's Petition for Contract Review of GPA's Renewable Energy Acquisition had only been filed a few days before the PUC meeting, and was quite lengthy in nature, there had not been sufficient time to review the RFP. Chairman Johnson indicated that consideration of the RFP would be postponed until the April, 2009 meeting.

- (c) Docket 94-04, GPA's Petition to Exercise Financing Options under PMC with TEMES for Turbine Overhaul of Cabras Unit 2.

The Commission next considered GPA's Petition for PUC review and approval of its request to exercise financing options under its Performance Management Contract with Taiwan Electrical and Mechanical Engineering Services [TEMES] for the turbine overhaul of Cabras Unit 2. This matter comes before the PUC pursuant to the GPA Contract Review Protocol. PUC Legal Counsel reported that GPA was seeking approval of its request to borrow the principal amount of \$1,700,000.00 from TEMES for the turbine overhaul of Cabras Unit 2. The proposed financing agreement provided for repayment by GPA of the financed amount at an interest rate of 5% over an 18 month repayment period. The GPA Petition established that conducting the turbine overhaul of Cabras Unit 2 concurrently with a boiler overhaul during the same 40-45 day period would be cost effective and would prevent the need for two separate outages. Such repairs were necessary to maintain generation reliability. PUC's consultant, Georgetown Consulting Group Inc. [GCG], recommended approval of GPA's petition. During the PUC meeting, General Manager of GPA, Joaquin Flores, indicated that GPA had successfully negotiated with TEMES a lower interest finance rate of 4%. Commissioner Perez requested that the percentage interest rate in the draft Order be changed from 5% to 4%. Having reviewed the Petition of GPA and the annexed Exhibits, and the Report of GCG, good cause appearing, upon motion duly made, seconded and unanimously carried, the Commission adopted the DECISION AND ORDER made *Attachment D* hereto.

#### **4. GTA TeleGuam**

PUC Legal Counsel gave a status report on Docket 08-11, in Re: Arbitration Disputes, GTA/PDS. This matter is now before the ALJ upon GTA's petition for rehearing. The ALJ is working on this matter, and it is anticipated that a decision will be ready for consideration by the Commission at its next meeting.

#### **5. Office Space for PUC**

According to the report of the Administrator Palomo, the options to lease Suites 602 and 604 as office space for the PUC are no longer available. However, Chairman Johnson indicated that there still is a possibility of leasing Suite 208. He believes that rental of such space will result in a rent reduction for the PUC and payback on improvements within one year. Upon motion duly made, seconded and unanimously carried, Chairman Johnson is authorized to act on behalf of the Commission with GICC Management for the securing of office space and signing of the lease, but will first obtain verbal approval of the other Commissioners before any lease is entered into.

#### **6. PUC Website**

The Chairman indicated that, subsequent to a meeting with PUC's webmaster, A. J. Rosario/ICON, a proposal for redesign of the website had been made. The Chairman invited other Commissioners to review the proposal and to make suggestions. There will be additional information to present on this matter at the next meeting.

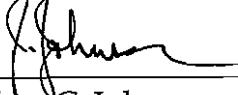
#### **7. Other Business**

PUC Legal Counsel reported that on March 10, 2009, Pacific Data System [PDS] filed with the PUC Tariff Transmittal No. 2, which amends and revises its General Exchange Tariff No. 1. The tariff transmittal adds certain new services, such as Analog Business Line (MRC), Voicemail services, fractional ISDN PRI services, new service move or change service charges, Pay Telephone Services, and Centrex services. Legal Counsel presented a draft order for consideration by the Commission. However, Commissioner Pangelinan did not feel comfortable voting on this matter, due to certain legal representation which his law firm has undertaken. Therefore, there was no quorum present to approve PDS Tariff Transmittal No. 2. The Chairman indicated that there could possibly be a quorum for this matter at the April 20, 2009, meeting. John Day, the representative of PDS, indicated that PDS could wait until the April meeting. Therefore, upon motion duly made, seconded and unanimously carried, the Commission tabled consideration of PDS Tariff Transmittal No. 2 until the April 20, 2009, meeting of the Commission.

The Chairman indicated that the Commission's Accountant recommended that its accounting version of QuickBooks be upgraded to the 2009 version. The Administrator stated that the cost of such upgrade would be approximately \$500-\$700. Upon motion duly made, seconded and unanimously carried, the Commission approved the upgrade of the Commission's version of QuickBooks to QuickBooks 2009.

PUC Legal Counsel indicated that, on occasion, he had been requested by ALJ David A. Mair to perform certain functions that would be performed by the ALJ. So that there would be no issue concerning Legal Counsel's authority to perform such functions, he requested that the Commission designate him as an "Assistant Administrative Law Judge." Counsel indicated that he had spoken to ALJ Mair concerning this matter, and that ALJ Mair approved. Upon motion duly made, seconded and unanimously carried, the Commission approved the appointment of Frederick J. Horecky, PUC Legal Counsel, as an Assistant Administrative Law Judge, to so act only upon the written request of Administrative Law Judge David A. Mair.

Upon motion duly made, seconded and unanimously carried, the meeting was adjourned.

  
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Jeffrey C. Johnson.  
Chairman

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

**SPECIAL MEETING  
SUITE 206 GCIC BUILDING  
414 W. SOLEDAD AVE. HAGATNA, GUAM  
6:00 p.m. March 30, 2009**

**Agenda**

- 1. Approval of Minutes of February 27, 2009.**
- 2. Guam Power Authority**
  - Docket 02-04, Management Audit and GCG Recommendation on Virchow Krause Phase II Scope ; Status
  - Docket 08-06, Contract Review of Request for Proposals, Renewables under Integrated Resource Plan
  - Docket 94-04, GPA's Petition to Exercise Financing Options under PMC with TEMES for Turbine Overhaul of Cabras Unit 2
- 3. Guam Waterworks Authority**
  - Docket GWA 09-02, GWA Request for PUC Investigation of Costs; Report on Public Hearings and Proposed Order on GCG Recommendation for 6.60% base rate increase for GWA
- 4. GTA TeleGuam**
  - Report on Status on Docket 08-11, in Re: Arbitration Disputes, GTA/PDS
- 5. Office Space for PUC**
  - Proposal re: Room 604, GCIC
- 6. PUC Website**
  - Update
- 7. Other Business**



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

GUAM WATERWORKS  
AUTHORITY [GWA] REQUEST FOR  
PUC INVESTIGATION OF COSTS

GWA DOCKET 09-02

ORDER APPROVING GUAM WATERWORKS  
AUTHORITY BASE RATE INCREASE

The background of this matter is set forth in the prior ORDER of the Commission issued in this docket on February 27, 2009.<sup>1</sup> This proceeding arose upon written request by the Guam Waterworks Authority [GWA] that the Guam Public Utilities Commission [PUC] initiate and conduct an investigation into the adverse financial impact to GWA of significant rate hikes in power and Navy water costs.<sup>2</sup> Upon reference of this matter by the PUC to its consultant, Georgetown Consulting Group, Inc. [GCG], GCG submitted its Report to the PUC recommending that the PUC should, on its own initiative, consider authorizing an increase of 6.60% in the base rates of GWA, without a compression adjustment.<sup>3</sup> In addition, by letter dated February 27, 2009, Leonard Olive, General Manager of GWA, indicated that GWA stipulated to the GCG recommendation of a 6.6% rate increase to offset the increased costs of both Navy water and power purchases.<sup>4</sup>

In accordance with its statutory powers, the PUC determined that the base rate increase proposed by GCG should be scheduled for public hearings, for the purpose of receiving public comment and testimony on the recommended rate increase. Pursuant to duly issued Notice of Public Hearing, the PUC conducted three public hearings on the recommended rate increase.<sup>5</sup> At the Hagatna public hearing, Mayors Dean Sanchez of Umatac and Ben Gumataotao of Piti testified against the proposed increase, contending that poor people of the island would be obligated to pay the rate increase and that any Navy price increase for water from Fena Reservoir should be negotiated, as the water belongs to the people of Guam. In addition, these Mayors suggested that

<sup>1</sup> Order Scheduling Public Hearings on Proposed Guam Waterworks Authority Rate Increase, issued February 27, 2009.

<sup>2</sup> Letter dated January 7, 2009 from Leonard Olive, General Manager, GWA, to Jeffrey C. Johnson, Chairman, PUC.

<sup>3</sup> Report of Georgetown Consulting Group, Inc. dated February 11, 2009, GWA Docket 09-02.

<sup>4</sup> Letter dated January 7, 2009 from Leonard Olive, General Manager, to Jeffrey C. Johnson, Chairman, PUC.

<sup>5</sup> Public hearings were conducted on March 19, 2009, at Suite 202 GCIC Building, Hagatna, and on March 20, 2009, at the Asan Community Center and the Dededo Senior Citizens Center.

customer service and other management issues of GWA should be addressed first before rates are increased.

At the Asan and Dededo Public Hearings there was testimony from Mayors Benny San Nicolas of Asan, Melissa Savares of Dededo, and Vice Mayor Ronald Flores of Yigo. Mayor San Nicolas felt that there was a need to improve water works and pipes in the villages for efficiency. Mayor Savares indicated that residents would support rate increases, but only if GWA services are improved. Vice Mayor Flores also felt that GWA is not efficient, as water leaks are not being addressed and service has not been improved, despite prior rate increases.

The PUC has now duly considered the record in these proceedings, the request of GWA for a PUC investigation of its increased power and Navy water costs, the Report and recommendation of GCG, and the public testimony given at the three scheduled public hearings. For good cause shown and on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission makes the following determinations:

*Determinations*

1. Due and proper notice of scheduled public hearings was issued in accordance with law.
2. Based upon the record herein, it has been affirmatively established, by a preponderance of the evidence, that a rate increase for GWA is necessary. PUC hereby determines that, on its own initiative, a base rate increase of 6.60% should be granted to GWA. Pursuant to 12 GCA §12004, the PUC is obligated to provide GWA rates that are adequate "to cover the full cost of such service..." In accordance with the Report submitted by GCG, it has been established that the proposed rate increase is necessary to enable GWA to pay for the increases in its power costs and Navy water costs experienced from FY'07 through FY'09 and continuing thereafter.<sup>6</sup>
3. GWA should be awarded, for meters read on and after April 1, 2009, a base rate increase of 6.60%, excluding lifeline.
4. The PUC is mindful of the concerns raised by the Mayors in their testimony; however, GWA has taken steps to address these concerns. GWA has entered into a Leak Detection Contract with GRH Technologies Ltd. ("GRH"). GRH has guaranteed that it will correct water line losses and reduce them by fifteen percent. In addition, GWA officials have publicly stated at PUC meetings that they did negotiate with the U.S. Navy concerning the amount of water price increases and were successful in obtaining a lesser increase than the Navy had originally intended to charge. Notwithstanding these efficiency concerns raised by the Mayors,

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<sup>6</sup> The PUC adopts the calculations set forth in GCG's Report at pages 7 - 11.



the base rate increase recommended is necessary to enable GWA to cover legitimate costs of its operations and services.

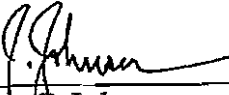
5. The Commission finds that the base rate increase recommended by GCG for GWA is "just and reasonable and in conformance with public law."
6. "Just and reasonable" rates must enable a public utility such as GWA to cover all of its operating expenses. 12 GCA §12017.

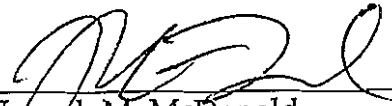
*Ordering Provisions*

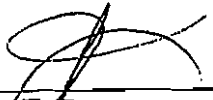
After careful review and consideration of the above determinations, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission HEREBY ORDERS THAT:

1. GWA is awarded, for meters read on and after April 1, 2009, a base rate increase of 6.60%, excluding lifeline.
2. GWA shall amend its rate schedules in accordance with this Order and file the same with the Commission.
3. GWA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

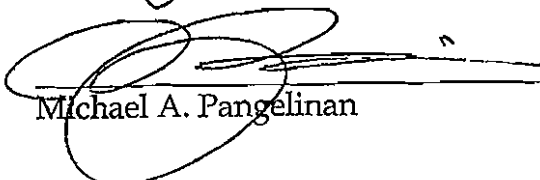
Dated this 30<sup>th</sup> day of March, 2009.

  
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Jeffrey C. Johnson  
Chairman

  
\_\_\_\_\_  
Joseph M. McDonald

  
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Rowena E. Perez

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Filomena M. Cantoria

  
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Michael A. Pangelinan



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

GUAM POWER AUTHORITY  
REGULATORY REVIEW  
(Re: GPA Focused Management  
Audit of Operations)

DOCKET 02-04

DECISION AND ORDER

*Background*

This matter comes before the Commission upon the Guam Power Authority's ["GPA"] request that the PUC approve the scope of work for Phase II of the Virchow Krause ["VK"] management and organizational assessment of GPA. The requirement that the PUC approve the VK Phase II Work Plan is rooted in numerous prior proceedings of the Commission. The ALJ Report filed on February 12, 2008,<sup>1</sup> recognized that the Commission's consultant, the Georgetown Consulting Group Inc. ["GCG"] and GPA had stipulated that, as part of GPA's FY08 Base Rate case, GPA "should undertake a focused management audit of its operations under an engagement scope and process approved by PUC..." The Stipulation was entered as a PUC order in the FY08 Rate Decision, Docket 07-10, filed on February 15, 2008.<sup>2</sup> In a subsequent ORDER of the Commission filed May 30, 2008, the joint petition of GPA and the Guam Waterworks Authority ["GWA"] for approval of the scope and focus of the management audit was granted, subject to rulings of the Administrative Law Judge ["ALJ"] on GCG's recommendation that the audit examine issues relating to GPA's compensation program under Public Laws 28-159 and 29-113; and approval of the detailed work-scope by the ALJ.<sup>3</sup>

In a letter dated October 3, 2008, GPA, through its General Manager Joaquin C. Flores, agreed with GCG as to conditions imposed for the approval of the scope of the management audit. GPA concurred "that the audit will examine the issues related to GPA's compensation program under P.L.'s 28-159 and 29-133, and that this will be

<sup>1</sup> Administrative Law Judge Report filed on February 12, 2008 Docket 07-10 (Guam Power Authority Petition for Base Rate Relief). Although some filings concerning this management audit have been made in Docket 07-10, which is GPA's Petition for Base Rate Relief, the Commission will henceforth use Docket 02-04 for all filings related to GPA's Focused Management Audit by Virchow Krause. The use of Docket 02-04 is in accord with prior Orders of the Commission issued on May 30, 2008 and October 20, 2008.

<sup>2</sup> FY08 Rate Decision in Docket 07-10, Guam Power Authority Petition for Base Rate Relief [filed February 15, 2008].

<sup>3</sup> Guam Public Utilities Commission Order dated May 30, 2008, in Docket 02-04.

accomplished as part of Phase II of the management audit.”<sup>4</sup> By Order issued October 20, 2008, ALJ David A. Mair approved the scope and focus of the management audit for GPA and GWA operations, in accordance with the agreements by GPA in its October 3, 2008 letter concerning the scope of the audit. GPA was authorized to proceed with its management audit engagement.<sup>5</sup>

On January 7, 2009, VK submitted its draft Report, Organizational and Management Assessment, Results of Phase I and 4a Diagnostic Review.<sup>6</sup> VK gave a joint presentation concerning its Phase I report to the Consolidated Commission on Utilities and PUC Commissioners at the CCU conference room on January 13, 2009.

On March 4, 2009, the Guam Power Authority [“GPA”] filed the proposed Phase II Virchow Krause Work Plan for the Comprehensive Management and Organizational Assessment.<sup>7</sup> In its March 4, 2009 Filing, GPA requests that the PUC expedite its review and approval of the VK Phase II Work Plan.

On March 27, 2009, GCG submitted its Report in response to GPA’s March 4, 2009 Petition seeking PUC approval of the work plan for Phase II of VK’s comprehensive Management and Organizational Assessment of GPA.<sup>8</sup> VK has identified characteristics of mainland electric utility companies which allow them to operate as “highly effective” utilities. VK proposes to use information gathered from these “highly effective” utilities for the purpose of reviewing and analyzing the practices employed by GPA. In developing the work scope for Phase II, VK has identified six (6) characteristics of highly effective utilities in accordance with which GPA will be evaluated, including: Effective Corporate Governance, Effective Strategic Planning/Policy Development, Effective Execution of Strategy and Policy, Financial Strength, Effective Operations, and Customer Service.<sup>9</sup> GCG believes that the management assessment, as outlined by VK, can significantly assist GPA in restructuring its operations and deploying industry best practices and efficiency in the delivery to rate payers of reliable and cost-effective electric service.<sup>10</sup> In general, the GCG report concludes that the proposed VK work scope for management and organizational assessment of GPA is a well thought out and reasonable approach to GPA’s Phase II responsibilities.<sup>11</sup> GCG recommends PUC approval of the work scope,

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<sup>4</sup> Letter from Joaquin C. Flores, General Manager, Guam Power Authority to Harry Boertzel, Esq., ALJ, Guam Public Utilities Commission dated October 3, 2008.

<sup>5</sup> Order issued by ALJ David A. Mair on October 20, 2008.

<sup>6</sup> E-mail from Randall V. Weigand dated January 12, 2009 to PUC Legal Counsel concerning VR Report for the Management and Organizational Assessment.

<sup>7</sup> Filing of Virchow Krause Phase II Proposed Work Plan, Docket No. 07-10, filed March 4, 2009.

<sup>8</sup> Report of Georgetown Consulting Group, Inc. re: Virchow Krause Management Assessment Work Plan (Phase II), Docket 07-10, dated March 27, 2009.

<sup>9</sup> Id at pgs. 2-3.

<sup>10</sup> Id at p. 2.

<sup>11</sup> Id at p. 4.

however, subject to the condition that certain language in the Phase II work scope be explicitly modified to meet the requirements of 12 GCA §12001.2(d).<sup>12</sup>

GCG raises the concern that GPA and VK have not adequately addressed the requirements of 12 GCA §12001.2(d) in the Phase II work scope. In the VK Phase II Proposed Work Plan, there are indications that VK does plan to determine whether GPA business units are overstaffed, understaffed or adequately staffed to carry out its mission critical responsibilities; and, furthermore, to conduct a productivity analysis of GPA staff by using comparative analysis techniques for 12 to 20 US mainland public power utilities with similar key operating characteristics to those of GPA.<sup>13</sup>

The PUC is of the opinion that VK must stringently comply with the requirements of 12 GCA §12001.2(d) in comparing GPA staffing patterns and manpower levels to at least four (4) mainland utilities providing similar services to a comparable number of customers. The VK Work Plan for Phase II must specifically quote the statutory language, and VK must undertake the express statutory requirements. The statute places this responsibility upon the Public Utilities Commission to conduct such staffing pattern and manpower level comparison. Here PUC has agreed to allow VK to undertake the statutorily mandated staffing and manpower comparison in the context of its overall management organizational assessment. However, if VK does not strictly comply with the aforementioned statutory requirements, GPA will not be able to obtain any rate relief in Phase II of the rate proceedings in Docket 07-10. 12 GCA §12001.2(d) makes it clear that the PUC must, in determining approval of any rate increase, take into account the results of the study comparing the staffing pattern and manpower levels of GPA to at least four other utilities in the United States mainland. No rate increase can be granted to GPA unless the PUC has such staffing pattern and manpower level study available and takes it into account before approving any rate increase.

Should this requirement not be strictly complied with, GPA faces the prospect that it will, in no event, even if justified, be entitled to Phase II rate relief in its base rate case, Docket 07-10.

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<sup>12</sup> 12 GCA §12001.2(d) provides as follows in pertinent part: "The Public Utilities Commission ("PUC") shall annually conduct a study comparing the staffing pattern and manpower levels of the Public Utilities under their purview to the staffing patterns and manpower levels of *at least* four (4) other utilities in the United States Mainland which provides similar services to a comparable number of customers... The PUC must, in determining approval of any proposed rate increase, take into account the results of such studies and order reductions or other adjustments in the operations of the Public Utility requesting a rate adjustment, as recommended or suggested by such studies prior to granting approval for a rate increase. It is the intention of *I Liheslaturan Guåhan* that the PUC mandate reduction in unnecessary levels or areas of expenditure in Public Utilities *prior to*, or in conjunction with, approval of any rate increase. Any Public Utility that has received an order from the PUC to reduce expenditures in any area of operations shall comply with such order, and failure to do so is a grounds for disapproval of a rate increase proposal..."

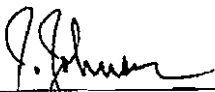
<sup>13</sup> See Virchow Krause Phase II Proposed Work Plan, pages 36 and 40 - 41.

*Ordering Provisions*

After consideration of the record herein, prior Orders of the Administrative Law Judge in this Docket and in Docket 07-10, the March 4, 2009, filing by GPA of the Virchow Krause Phase II Proposed Work Plan and GPA's request for approval thereof, and the Report of GCG, for good cause shown and on motion duly made, seconded, and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby orders:

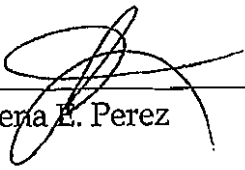
1. The scope of work contained in the Virchow Krause Phase II Proposed Work Plan is hereby approved, subject to the conditions stated in paragraphs 2 and 3 below.
2. Within thirty days of the issuance of this Order, GPA and VK should explicitly modify the language in its Phase II work scope to expressly reference the requirements of 12 GCA §12001.2(d) and to include in the work scope specific language that VK shall conduct a study comparing the staffing pattern and manpower levels of the Guam Power Authority to the staffing patterns and manpower levels of *at least four (4)* other utilities in the United States Mainland which provide similar services to a comparable number of customers.
3. As previously agreed to, VK will, in Phase II of the management audit, examine issues related to GPA's compensation program under Public Laws 28-159 and 29-113.
4. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 30<sup>th</sup> day of March, 2009.

  
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Jeffrey C. Johnson  
Chairman

  
\_\_\_\_\_  
Joseph M. McDonald

\_\_\_\_\_  
Filomena M. Cantoria

  
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Rowena E. Perez

  
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Michael A. Pangelinan

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

The Application of the Guam Power Authority  
to Exercise Financing Options under the PMC  
with TEMES for the Turbine Overhaul of  
Cabras Unit 2.

DOCKET 94-04

DECISION AND ORDER

On March 4, 2009, the Guam Power Authority [GPA] filed its Petition requesting that the Guam Public Utilities Commission [PUC] review and approve GPA's request to exercise financing options under its Performance Management Contract [PMC] with Taiwan Electrical and Mechanical Engineering Services [TEMES] for the turbine overhaul of Cabras Unit 2.<sup>1</sup>

In December, 2008, the PUC approved prior requests by GPA to borrow funds from TEMES for FY2009 PIP and CIP improvements in the amount of \$3,234,600 for Cabras Units 1 & 2, and from Doosan Engine Company in the amount of \$1,658,554 for Cabras Units 3 & 4 improvements.<sup>2</sup> The PMC which GPA presently has in place with TEMES allows GPA to request that the Performance Management Contractor provide financing for improvements relative to the Cabras Units.<sup>3</sup> GPA has requested PUC approval to borrow funds from TEMES in the principal amount of \$1,700,000.00 for turbine overhaul of Cabras Unit 2.

Pursuant to the Contract Review Protocol for Guam Power Authority, all externally funded loan obligations in excess of \$1,500,000 and the use of said funds require prior PUC approval under 12 GCA §12004.<sup>4</sup> In accordance with the Protocol, the Consolidated Commission on Utilities (CCU) has approved authorizing the General Manager of GPA to execute a financing agreement with TEMES for the Turbine Overhaul of Cabras Unit 2.<sup>5</sup> The proposed financing agreement between GPA and TEMES provides that the sum financed would be repaid at an interest rate of 4% over an 18 month repayment period. The CCU Resolution indicates that the turbine

<sup>1</sup> GPA Petition for Contract Review, filed March 4, 2009.

<sup>2</sup> PUC Decision and Order issued on December 29, 2008 in Docket No. 94-04.

<sup>3</sup> GPA – RFP – 02 – 015, Volume II, Section 2 – Financing.

<sup>4</sup> Contract Review for Guam Power Authority, Administrative Docket, filed May 26, 2007.

<sup>5</sup> Consolidated Commission on Utilities Resolution No. 2009-06.

overhaul of Cabras Unit 2 will be scheduled concurrently with a boiler overhaul for the same 40- 45 day period. Combining the turbine and boiler overhauls will prevent the need to have two separate outages, which would be necessary if such works were done separately.<sup>6</sup>

GPA's Petition establishes that both the turbine overhaul and the boiler overhaul are necessary repairs to maintain generation reliability.<sup>7</sup> GPA's Petition has been reviewed by Georgetown Consulting Group, Inc. [GCG], and GCG recommends PUC approval of the GPA request to borrow \$1,700,000.00 from TEMES for the turbine overhaul of Cabras Unit 2.<sup>8</sup>

After careful consideration of the record herein, the Petition of GPA and the annexed Exhibits, and the Report of GCG, for good cause shown and on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS that:

1. GPA's March 4, 2009 Petition seeking to exercise financing options under the PMC with TEMES is hereby approved; the turbine and boiler overhauls for Cabras Unit 2 are necessary to improve generation reliability. GPA is unable to pay for such improvements without financing.
2. GPA is authorized to borrow funds from TEMES in FY2009 in the total principal amount of \$1,700,000.00 for the Cabras Unit 2 Turbine Overhaul.
3. The financing agreement proposed by GPA has terms that are beneficial and favorable to it, including an 18-month repayment provision at an interest rate of 4.0%.
4. The TEMES financing agreement provides an attractive source of short-term capital for GPA.
5. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and

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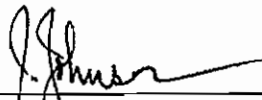
<sup>6</sup> GPA Position Paper, Financing of Cabras Unit No. 2 Turbine Overhaul, Exhibit "B" to Petition for Contract Review, filed March 4, 2009.


<sup>7</sup> The turbine overhaul will include replacement of two high pressure stages of the turbine and one row on intermedium pressure blades. CCU Resolution No. 2009-06 p. 1; the boiler overhaul will include the replacement of approximately 50% of the wall tubes in high temperature areas. GPA Position Paper, p. 1.

<sup>8</sup> GCG Report dated March 24, 2009, on Financing Option with TEMES for Cabras 2 Turbine Overhaul—Docket 94-04

expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

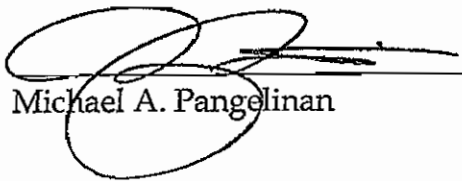
Dated this 30<sup>th</sup> day of March, 2009.

  
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Jeffrey C. Johnson  
Chairman

  
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Joseph M. McDonald

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Filomena M. Cantoria

  
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Rowena E. Perez

  
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Michael A. Pangelinan