

GUAM PUBLIC UTILITIES COMMISSION
SPECIAL MEETING
AUGUST 10, 2011
SUITE 202, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a special meeting commencing at 6:34 p.m. on August 10, 2011, pursuant to due and lawful notice. Commissioners Johnson, McDonald, Cantoria, Perez 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 PUC reviewed the minutes of the meetings conducted on May 16, 2011 and June 20, 2011. Upon motion duly made, seconded and unanimously carried, the minutes were approved subject to correction.

2. Guam Power Authority

The Chairman announced that the next matter on the Agenda was GPA Docket 11-06, GPA Petition to adjust the LEAC Factor effective August 1, 2011. GCG Report, Order signed by the Chairman, and Ratification. Legal Counsel indicated that the LEAC Order was before the Commissioners for Ratification. The Chairman signed the LEAC Order, which changes the LEAC Factor effective August 1, 2011, because there was not a quorum of Commissioners at the meeting on July 25, 2011. The new LEAC Factor is \$.19222 cents per kWh, an increase of approximately 3 cents per kilowatt hour for civilian customers, which constitutes a 13% increase in the total bill or \$30.69 per month for the average customer utilizing 1,000 kWh. The Order signed by the Chairman required GPA to submit certain reports required by the prior LEAC Order, which GPA had not filed, on fuel inventory, line loss, fuel hedging and other matters.

Commissioner Cantoria asked how the increase could be explained to ratepayers when the oil price was going down. GPA Legal Counsel Graham Botha stated that the LEAC factor was based upon a six month projection. Experts indicate that the price is eventually going up. If the price goes down, corrections can be made. Mr. Blair of GCG indicated that the reason for the increase in the LEAC factor was the under-recovery in the last LEAC period. After a discussion of the fuel hedging program[see pgs. 9-10 of Transcript of Special Meeting dated August 10, 2011], upon motion duly made, seconded and unanimously carried, the Commissioners ratified the Order signed by the Chairman, which adjusted the LEAC Factor effective August 1, 2011, and accepted such Order as written.

The Chairman announced that the next matter on the Agenda was GPA Docket 11-07, GPA Application to Approve Amendment 1 to the Contract for Supply of Fuel

Oil, PUC Counsel Report, and Proposed Order. Counsel reported that GPA was requesting authority to enter into a contractual amendment with its fuel supplier Petrobras. The current conversion factor for pricing of fuel used under the contract converts metric tons to barrels at a constant conversion factor of 6.6 per barrels per metric ton. However, this conversion factor is not always accurate and does not take into account variations in API gravity. This conversion factor sometimes results in Petrobras being underpaid for the price of fuel.

In exchange for GPA's agreement to discontinue use of the conversion factor and to base pricing upon metric tons, Petrobras has agreed to provide a \$30M line of credit to GPA for fuel, which will save GPA \$900,000 per year. However, pricing based upon metric tons may cost ratepayers an additional \$2.5M per year. Based upon the fairness consideration and the need to maintain relations with its supplier, GPA has provided a sufficient justification to allow authorization for the amendment. Commissioner Perez confirmed that, with this line of credit provided by Petrobras, GPA would no longer need to have a letter of credit with ANZ bank. Ms. Montellano, Acting CFO of GPA, indicated that this would save GPA about \$1M per year.

GPA Legal Counsel indicated that Petrobras has worked with GPA on various issues and could potentially provide LNG to GPA in the future. The issue here was one of fairness. The Chairman asked a number of questions concerning the ability of GPA to use LNG in the future [see Transcript at pgs. 18-19]. GPA officials further indicated that GPA did not obtain many qualified bidders in its fuel oil bid. The Chairman estimated that the increase in cost would be about \$1.5M in a \$300M dollar a year fuel budget, or about half of one percent. Upon motion duly made, seconded and unanimously carried, the Commissioners authorized GPA to enter into Amendment 1 to its Fuel Oil Supply Contract with Petrobras and adopted the Order made *Attachment "B"* hereto.

The Chairman indicated that the next order of business was GPA Docket 11-08, GPA Petition for Review and Approval of Proposed Settlement Agreement with the Department of Administration for Payment of Assessment in Lieu of Taxes, PUC Counsel Report, and Proposed Interim Order. Counsel stated that various public laws, going back to the 18th Guam Legislature, required certain utilities such as GPA to make "payments in lieu of taxes" [PILOT] to the Government of Guam. The theory is that since the utilities don't pay the normal taxes for improvements to roads, public works, etc., such utilities should be required to contribute back to the government of Guam. Earlier this year the Department of Administration billed certain entities, including the Port, the Airport, and GPA, \$875,000 per year as PILOT. The bill went back 14 years, so GPA's total bill was over \$12M. GPA negotiated a settlement with the Department of Administration for approximately \$2.6M, which means a settlement of three years of payments. If the PUC approves the PILOT payments, GPA would thereafter have to pay \$875,000 per year to DOA. Its ratepayers would then incur that additional amount in rates per year. For various reasons, Counsel requests that the PUC defer consideration of this matter at

the present time. One problem is that the Navy has not been properly made a party to this proceeding, although the proposed surcharges to pay for the "PILOT" would be assessed against Navy. Two surcharges are contemplated. One, to be effective this year, would pay for the past settlement amount plus the FY2011 PILOT payment. A second surcharge proposed by GPA would be effective in October 2012, which would pay for the annual ongoing PILOT payment.

As a second point, GPA has already filed notice of a petition for a rate increase. The surcharges which it now proposes for PILOT are new rates and charges which will be a part of GPA's rate case. Counsel concludes that the Commission cannot even consider these surcharges until the 90 day period under the Rate Payer Bill of Rights (after the filing of GPA's Notice of rate increase) passes and until GPA files its rate case. The PUC should defer action on the surcharges at the present time. Upon motion duly made, seconded and unanimously carried, the Commissioners moved to defer action upon GPA's Petition to Authorize Settlement with DOA for payment in lieu of taxes, and adopted the Order made *Attachment "C"* hereto.

3. Guam Waterworks Authority

The Chairman stated that the next order of business was GWA Docket 11-01, Bond Funding Issues, P.L. 30-145, and ALJ Status Report on Investigation of Rates. Legal Counsel indicated that ALJ Mair has filed a status report to give an update as to the current status of the proceedings. There are ongoing proceedings to determine whether a rate increase would be necessary for GWA to pay the \$18M from bond funds that the Commission had previously ordered to be paid. GCG has been requested to provide an opinion on these matters.

In addition, GWA has filed a petition for expedited approval for certain reprogramming of bond projects. The ALJ has stated that this matter will be expedited but will not be considered this evening on the official meeting agenda. There is also an issue concerning a recommendation by the District Court concerning expenditure of bond funds, but the ALJ needs to examine that matter further. Presently, the annual GWA True Up is before the PUC concerning the five-year rate plan. The true up review process is currently underway. The matter has also been referred to GCG for review, and GCG is in the process of reviewing the true up. The Chairman asked whether GWA could be ready by the ALJ's next hearing on August 18. GWA, through its Legal Counsel Sam Taylor, indicated that it would respond to the ALJ's concerns. He felt that the justification was self-evident: reprogramming is needed relative to the Northern District, the Agana Waste Water Treatment Plant, and the Meter Project. He requests action on the bond reallocation petition as soon as possible. After some discussion, it was clarified that the True Up and bond reallocation matters would likely be heard at the next regular meeting of the PUC.

4. GTA Telecom LLC

The Chairman announced that the next order of business was GTA Docket 11-05, Tariff Transmittal No. 17 [Promotional Offering, Vertical Calling Services] Supplemental PUC Counsel Report, and Proposed Order. Legal Counsel reported that this matter was last before the Commission at its July meeting. GPA seeks to provide a benefit to business customers that bundle their services: they receive vertical-calling services for free, including caller ID, call waiting, call forwarding, three-way calling, and speed dialing. This proposed tariff would be in effect for six months. The reason the tariff is in effect is that more than 30 days has elapsed from the filing of the tariff by GTA.

Counsel concludes that this promotional offering is authorized by GPA's General Exchange Tariff No. 1, which provides that promotional offerings may waive or reduce non-recurring and/or recurring charges. This tariff does not involve "cross-subsidization" for regulated services to non-regulated services. The vertical-calling services provided are free and are not providing regulated income. Counsel recommends approval of the tariff.

Mr. John Day of PDS reiterated certain arguments against the tariff that previously have been made [see pgs. 40-42 of the Transcript]. Upon motion duly made, seconded and unanimously carried the Commissioners approved Tariff Transmittal No. 17 [Promotion Offering, Vertical Calling Services] and adopted the Order made *Attachment "D"* hereto.

The Chairman then stated that the next order of business was GTA Docket 11-06, Government of Guam Petition regarding Metro Ethernet Service, and Status Report. Counsel indicated that he would give a brief report. These proceedings are ongoing. The Bureau of Information Technology [BIT] in the Governor's office questioned whether certain charges that GTA implemented in 2007 under its contracts with the Government of Guam for metro Ethernet service has followed the proper tariffing process. The BIT believes that there was no tariff approved by the PUC and that the government was eligible to receive certain refunds from GTA under prior PUC precedent. At present preliminary proceedings are ongoing. There is currently a jurisdictional issue as to whether this tariff is within the jurisdiction of the PUC. A hearing is scheduled for August 16 on that matter.

The Chairman then announced that the next order of business was GTA Docket 11-07, GTA Filing for Approval ICB with Bank of Hawaii, GCG Report, PUC Counsel Report and Proposed Order. Legal Counsel reviewed the requirements for the Individual Case Basis Arrangement with which the Commission is very familiar. In certain circumstances, GTA can provide special rates to a customer. The conditions for an ICB must be satisfied [see requirements set forth at pgs. 45-47 of the Transcript]. Here GTA satisfies the ICB requirements for its contract with Bank of Hawaii. ICB pricing is offered for a business customer with more than 10 lines. GTA filed its LRIC [Long Run Incremental Cost] like study. GCG reviewed the

LRIC study and determined that its proposed charge to BOH for ISDN-PRI does exceed incremental cost. Counsel's opinion is that GTA has satisfied all the requirements for an ICB offering to the Bank of Hawaii.

Mr. Day of PDS said that GTA was modifying the normal ISDN-PRI service, which contains 23 channels of digital voice. Mr. Day claimed that PDS was speaking of "35 channels of voice communications." A new service does not qualify for ICB handling. He further stated that a company such as his should also be able to adopt this ICB arrangement, but PDS cannot know the price of the service and there's no process for a similarly situated company to take advantage of the special offers. Steve Carrera of PTI joined in the comments of PDS. GTA, through its Legal Counsel Serge Quenga, stated that it is not a "new" tariff, and it has not been found to be so by GCG. GTA concurs with the Legal Counsel Report.

PUC Legal Counsel indicated that the current confidentiality rules prevented the disclosure of GTA's pricing. PDS, through Mr. Day, made certain additional arguments [see pgs. 57-59 of the Transcript]. Further discussion followed. Legal Counsel further stated that under the confidentiality rules, he does not have the authorization to discuss the retail price charged by GTA to its customers. Commissioner McDonald asked GTA whether this ISDN is a "new service". Ms. Lucy Perez of GTA indicated that this is the ISDN-PRI service. Ms. Perez does not understand where PDS was claiming that there are 35 channels. Commissioner Cantoria asked whether Bank of Hawaii wasn't different regarding ISDN service because it is a retail customer; other carriers [such as PDS/PTI] who are not retail. Shouldn't carriers negotiate their own price? Steve Carrera of PTI said it has to come before the Commission to insure the tariff is fair for everyone.

PDS stated that it wished to avail itself of the ICB pricing. Commissioner Cantoria asked why PDS hasn't filed any ICBs with the Commission. Mr. Day stated that it was not under an ICB filing requirement. Commissioner Perez then moved to defer further action on this Order and to direct Georgetown to do further discovery regarding the number of channels per lines. Commissioner Perez requested that GCG determine if this is a new service or just an expansion of the original ISDN. Upon motion duly made, seconded and unanimously carried, the Commissioners moved to defer action on this matter pending the GCG report.

The Chairman, after a recess, announced that the Commission wishes to consider the issue concerning the applicability of tariffs to GTA Telecom LLC. Commissioner Perez indicated that she desires GTA to correct its tariff [to clarify that the general exchange tariff applies to GTA Telecom LLC]. Upon motion duly made, seconded, and unanimously carried, the Commissioners approved an Order that GTA be directed to correct the appropriate filing to show that the general exchange tariff applies to GTA Telecom LLC.

5. Port Authority of Guam

The Chairman announced that the next item on the Agenda was PAG Docket 11-01, the Petition for Tariff Relief, and ALJ Report. Legal Counsel indicated that ALJ Mair prepared this Report. PUC rate consultants are examining the rate filing of PAG and beginning to interact with the Port Authority.

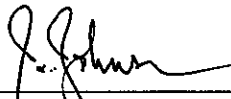
6. PUC Website

The Chairman then asked Administrator Lou Palomo for an update on the status of the website. Ms. Palomo stated that she's still in the process of scanning documents.

7. Administrative Matters

The Chairman indicated that there were ongoing PUC Procurements for Consulting Services for power and water/telecommunications. Legal Counsel stated that the procurements had been issued and a good response was being received. Other matters concerning the procurements were discussed [see pgs. 78-80 of the Transcript]. Counsel also suggested, as a recommendation, that Mr. Castro's court reporter services be retained to prepare transcripts of the Commissions meetings. The agreed procedure was that Mr. Castro's office would submit billings to Legal Counsel and Legal Counsel will provide them to the Commission as part of his billings. Counsel also gave a brief update on the GWA court litigation.

There being no further business, the Commissioners moved to adjourn the meeting.



Jeffrey C. Johnson
Chairman

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION
SPECIAL MEETING
SUITE 202, GCIC BUILDING
414 W. SOLEDAD AVE. HAGATNA, GUAM
6:00 p.m. August 10, 2011

Agenda

1. Approval of Minutes of May 16, 2011 and June 20, 2011.
2. Guam Power Authority
 - GPA Docket 11-06, GPA Petition to Adjust the LEAC Factor effective August 1, 2011, GCG Report, Order signed by Chairman, Ratification.
 - GPA Docket 11-07, GPA Application to Approve Amendment 1 to the Contract for Supply of Fuel Oil, PUC Counsel Report, and Proposed Order.
 - GPA Docket 11-08, GPA Petition for Review & Approval of Proposed Settlement Agreement with the Department of Administration for Payment for Assessment for Payment in Lieu of Taxes (5 GCA §22421), PUC Counsel Report, and Proposed Interim Order.
3. GTA Telecom LLC
 - GTA Docket 11-05, Tariff Transmittal No. 17 [Promotional Offering, Vertical Calling Services], Supplemental PUC Counsel Report, and Proposed Order.
 - GTA Docket 11-06, Government of Guam Petition Regarding Metro Ethernet Services, Status Report.
 - GTA Docket 11-07, GTA Filing for Approval of ICB with Bank of Hawaii, GCG Report, PUC Counsel Report, and Proposed Order.
4. Guam Waterworks Authority
 - GWA Docket 11-01, Bond Funding Issues, P.L. 30-145, ALJ Status Report on Investigation of Rates.
5. Port Authority of Guam
 - PAG Docket 11-01, Petition for Tariff Relief, ALJ Status Report.
6. PUC Website
 - Update

7. Administrative Matters
 - PUC Procurements for Consulting Services (Power/Water and Telecommunications), Report on Issuance.
8. Other Business

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:)
PETITION OF THE GUAM POWER)
AUTHORITY FOR REVIEW AND)
APPROVAL OF AMENDMENT 1 TO THE)
CONTRACT FOR SUPPLY OF FUEL OIL)

GPA Docket 11-07
ORDER



INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [PUC] upon GPA’s Petition for PUC Review and Approval of Amendment 1 to the contract for Supply of Fuel Oil.

BACKGROUND

2. Petrobras Singapore Pte., Ltd. provides fuel oil to GPA.¹
3. The Consolidated Commission on Utilities Resolution 2011-35 approved GPA’s request for approval of Amendment 1 to the existing Fuel Oil Contract, and authorized it to seek the review and approval of the PUC.²
4. A major change proposed by Petrobras is in the calculation of the contract price for fuel oil.³ At present fuel prices are determined by converting price in \$/Metric Tons [MT] to \$/Barrels [bbl]. A constant conversion factor of 6.6bbbls per MT is used.⁴
5. Petrobras indicates that a change in the conversion factor is necessary. Such factor is not, in fact, constant. The Conversion Factor increases as API [the “gravity” of the fuel] increases.⁵ Petrobras incurs losses due to the use of a constant conversion factor.
6. On July 5, 2011, PUC Counsel filed his Report herein, which fully sets forth the facts and background in this Docket. Counsel recommends approval of Amendment 1.⁶

¹ GPA Petition for Contract Review, GPA Docket No. 11-06 [renumbered to GPA Docket 11-08] filed on June 15, 2011, at p. 1.
² Consolidated Commission on Utilities Resolution No. 2011-35, issued June 2, 2011, at p. 2.
³ CCU Resolution No. 2011-35 at p. 1.
⁴ PSPL Proposal, Analysis of Effects on Pricing, [Current Contract Information].
⁵ PSPL Proposal, Analysis of Effects on Pricing [Fuel Characteristics].
⁶ PUC Counsel Report, GPA Docket 11-07, dated July 5, 2011.

DETERMINATIONS

7. Amendment No. 1 appropriately adopts the provisions agreed to by the parties.
8. The analysis provided by GPA indicates that the current conversion factor for converting metric tons of oil to barrels does not fully and adequately compensate Petrobras for the cost of fuel.
9. The parties have authority under the Contract to negotiate mutually acceptable arrangements.
10. The change in calculation of cost of fuel [the elimination of the conversion factor to bbl] is fair and reasonable to both parties.
11. The provision by Petrobras of a \$30M line of credit to GPA, and the various testing protocols, are beneficial to GPA.

ORDERING PROVISIONS

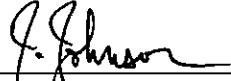
After a review of the record herein, GPA's Petition for review and approval of Amendment 1 to the Contract for Supply of Fuel Oil, the PSPL Proposal and Analysis of Effects on Pricing, and the PUC Counsel Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission HEREBY ORDERS that:

1. GPA's Petition for review and approval by the PUC of Amendment 1 Contract for Supply of Fuel Oil is hereby approved.
 2. The recommendations and reasoning contained in the Counsel Report are adopted.
 3. GPA Management is hereby authorized to enter into Amendment 1 to the Fuel Oil Supply Contract.
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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 the PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12002(b)

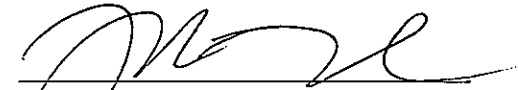
ORDER
Amendment 1 to Fuel Oil
Supply Contract
GPA Docket 11-07
July 25, 2011

and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the
Public Utilities Commission.

Dated this 10th day of August, 2011



Jeffrey Q. Johnson
Chairman



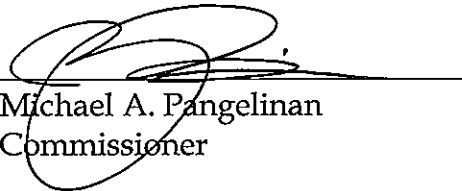
Joseph M. McDonald
Commissioner



Rowena E. Perez
Commissioner



Filomena M. Cantoria
Commissioner



Michael A. Pangelinan
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:)

GPA Docket 11-08)

The Application of the Guam Power Authority to Approve the Proposed Settlement Agreement for the Payment in Lieu of Taxes Assessed by the Department of Administration)

DEFERRAL ORDER)

INTRODUCTION

- 1. This matter comes before the Guam Public Utilities Commission [PUC] upon GPA’s Application for PUC approval of the Proposed Settlement Agreement for the Payment in Lieu of Taxes Assessed by the Department of Administration.¹

BACKGROUND

- 2. On March 31, 2011, the Department of Administration (DOA) billed GPA for \$12.25M as amounts due to the government “as payments in lieu of taxes (PILOT)” for a period of fourteen years.²
- 3. Pursuant to Public Law 18-15 and successive amendments (most recently Public Law 27-110: (4), three utilities, the Port, the Airport, and GPA, are required, in accordance with certain statutory prerequisites, to make such payments to the government in lieu of taxes.³
- 4. The PILOT settlement is subject to review and prior approval by the PUC in accordance with the Contract Review Protocol for Guam Power Authority, which requires PUC to approve any GPA financial obligation in excess of \$1,500,000.⁴
- 5. On August 8, 2011, PUC Counsel issued his Report herein.⁵ The Commissioners adopt the facts and Background as stated in the PUC Counsel Report.

¹ GPA Application to Approve the Proposed Settlement Agreement for the Payment in Lieu of Taxes Assessed by the Department of Administration, GPA Docket 11-08, filed June 15, 2011.

² Id. at p. 1.

³ Id.

⁴ Contract Review Protocol for Guam Power Authority, Administrative Docket, §1d.

⁵ PUC Counsel Report, GPA Docket 11-08, dated August 8, 2011.

DETERMINATIONS

6. GPA has indicated its intent that "the proposed PILOT surcharge would apply to the Navy."⁶
7. GPA did not serve the Navy with its initial Petition in this matter, nor was Navy otherwise advised by GPA of GPA's intent to seek surcharge payments from Navy to reimburse PILOT payments.
8. The PUC should not proceed ahead with the consideration or resolution of this matter until the Navy has had a full and fair opportunity to present its position on the matters of the appropriateness of the settlement and the assessment of surcharges for PILOT reimbursement against the Navy.
9. Pursuant to the Ratepayer Bill of Rights, GPA is not permitted to file its request for establishment of the PILOT surcharges with unless it gives at least three months' notice.⁷ Since GPA gave its notice of intent to establish PILOT surcharges in its notice published on or about June 22, 2011, PUC cannot consider GPA's request for establishment of PILOT surcharges until GPA has filed its rate case in accordance with the Ratepayers' Bill of Rights.
10. In addition, the Commission must hold *at least* three (3) public hearings on GPA's request for establishment of PILOT surcharges.⁸

ORDERING PROVISIONS

After review of the review of the record herein, GPA's Petition for approval of PILOT Settlement and Establishment of Surcharges, GPA's Responses to the PUC Request for Information, and the PUC Counsel Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission HEREBY ORDERS that:

1. The Commission should defer consideration of the GPA's Petition for Approval of PILOT Settlement and Establishment of Surcharges for the reasons outlined in the PUC Counsel Report.

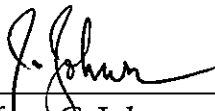
⁶ GPA Second Set of Responses to PUC Requests for Information, set 2-1, GPA Docket 11-08, filed July 20, 2011.

⁷ 12 GCA §12001.2(b)


⁸ 12 GCA §12016

2. Prior to PUC review and/or approval of this Petition, Navy must have a full and fair opportunity to present its position concerning the establishment of PILOT surcharges.
3. The Commission is without jurisdiction to review or approve the PILOT surcharges until all of the requirements of the Ratepayer Bill of Rights are complied with, including the conduct of three public hearings.
4. Since GPA has included the PILOT surcharges within its Ratepayer Bill of Rights notice, the propriety of the proposed settlement with the government and issues related to establishment of the surcharges should be deferred at present and subsequently considered during the course of the Rate Case.
5. 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 10th day of August, 2011.



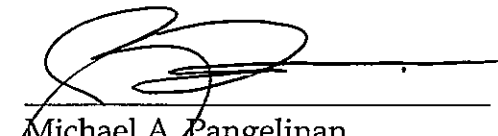
Jeffrey C. Johnson
Chairman




Rowena E. Perez
Commissioner



Joseph M. McDonald
Commissioner



Michael A. Pangelinan
Commissioner



Filomena M. Cantoria
Commissioner

BACKGROUND

7. On June 17, 2011, PUC Counsel issued his initial report herein, which report detailed the background of this docket and recommended PUC approval of GTA's Promotional Offering to Business Customers for the bundling of their telephone services with free Vertical Calling Services.⁵
8. PUC received public comments on this Docket at its regular business meeting of June 20, 2011, and received additional comments relative to issues in this Docket.⁶
9. Upon the recommendation of PUC Counsel, at its June 20, 2011 meeting, the PUC deferred action on this matter pending review of the additional filed comments. PUC Counsel filed his Supplemental Report herein on July 7, 2011.⁷

DETERMINATIONS

10. Promotional offerings such as Tariff Transmittal No. 17, are designed to attract new customers, bundle product offerings, stimulate customer usage, and/or increase existing customer awareness of the telephone company's services and products.⁸
11. GTA General Exchange Tariff #1 is applicable to GTA Telecom LLC. GTA Telecom LLC is required to fully comply with such Tariff.⁹
12. As provided in GET#1, Tariff Transmittal No. 17 is filed as a "promotional" tariff and is designed to attract new customers; bundling of product offerings is one of the specific purposes for which promotional tariffs are authorized.¹⁰
13. The provision of free Vertical Calling Services in Tariff Transmittal No. 17 does not result in "cross-subsidizing an unregulated affiliated operating company" or any violation of PUC Affiliate Transaction Rule #5.¹¹ GTA will not be using revenue

⁵ PUC Counsel Report, GTA Docket 11-05, filed June 17, 2011.

⁶ Tape of PUC Regular Business Meeting on June 20, 2011.

⁷ PUC Counsel Supplemental Report, filed July 7, 2011.

⁸ GTA Tariff Transmittal No. 17, GTA Docket 11-05, General Exchange Tariff No. 1 at p. 71.

⁹ ALJ Report, GTA Docket 11-04, GTA Telecom LLC Individual Case Basis Filing, filed May 13, 2011; PUC Order Docket 11-04, Order Re: PDS Request for Reconsideration/Re-hearing and IT&E Petition for Re-hearing adopted May 16, 2011.

¹⁰ GTA Tariff Transmittal No. 17, GTA Docket 11-05, General Exchange Tariff No. 1 at p. 71.

¹¹ Rule #5 of the Affiliate Transaction Rules provides: "A Dominant Carrier shall not use revenues from regulated services to subsidize the services or products of its Affiliates."

from regulated service to subsidize the services of its affiliates. It is not transferring any revenue from GTA Telecom LLC to any of its affiliates.¹²

14. GTA, by offering free regulated services (Vertical Calling Services) when customers bundle unregulated services, does not violate the "reasonableness" test of 12 GCA §12105(c). The "Promotional Offering" provision in GTA General Exchange Tariff #1 specifically provides that promotional offering may "waive or reduce non-recurring and/or recurring charges."
15. In accordance with the provisions of 12 GCA §12106(b), the PUC should approve GTA's Promotional Offering to business customers who bundle their telephone services with free Vertical Calling Services.
16. Tariff Transmittal No. 17 shall be effective during the period of June 13, 2011 through December 31, 2011.
17. Should GTA seek to extend the promotional offering beyond December 31, 2011, it must first obtain the prior approval of the PUC.

ORDERING PROVISIONS

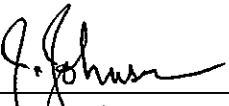
Upon consideration of the record herein, Tariff Transmittal No. 17 filed by GTA on May 13, 2011, the public and written comments filed herein, and the Report and Supplemental Report of PUC Legal Counsel, for good cause shown and on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby **ORDERS** that:

1. GTA's Tariff Transmittal No. 17 [Promotional Offering for Vertical Calling Services] was properly filed pursuant to 12 GCA §12106(a), which requires telecommunications companies such as GTA to file tariffs indicating the rates, classifications, and terms and conditions of its telecommunications services.
2. Tariff Transmittal No. 17, including all changes, revisions, and additions therein to GTA's General Exchange Tariff No. 1, is hereby approved and adopted.
3. The Promotional Offering to Business Customers for Vertical Calling Services shall be effective June 13, 2011 through December 31, 2011.

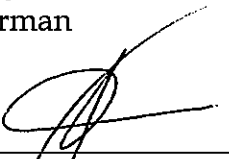
¹² GTA Reply Comments Re: Pacific Data Systems Public Comments, Tariff Transmittal #17, filed July 1, 2011 at p. 3.

4. A further extension by GTA of the Promotional Offering of Vertical Calling Services to Business Customers beyond December 31, 2011 shall require the prior approval of the PUC.
5. GTA shall provide notice of its Tariff Transmittal No. 17 to its Customers on its website.
6. GTA is ordered to pay for the PUC's regulatory fees and expenses incurred in this Docket, including, without limitations, consulting and counsel fees and expenses. Assessments of the PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §12002(b) and 12024(b), 12104, 12103, the Rules Governing Regulatory fees for Telecommunications Companies, and Rule 40 of the Rules of Practice and Procedure before the PUC.

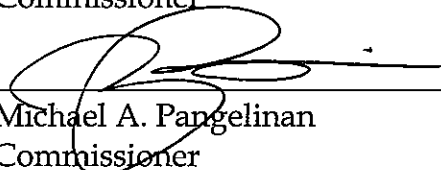
Dated this 10th day of August, 2011.



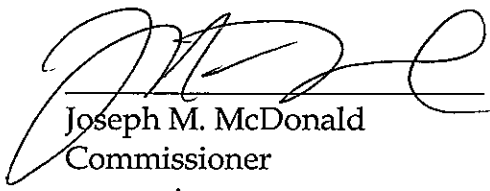
Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner



Michael A. Pangelinan
Commissioner



Joseph M. McDonald
Commissioner



Filomena M. Cantoria
Commissioner