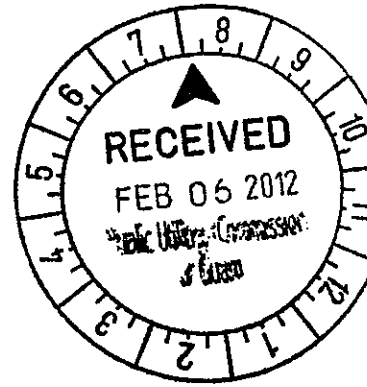


GUAM PUBLIC UTILITIES COMMISSION
SPECIAL MEETING
JANUARY 11, 2012
SUITE 202, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a special meeting commencing at 7:00 p.m. on January 11, 2012, pursuant to due and lawful notice. Commissioners Johnson, McDonald, 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 meeting conducted on November 7, 2011. Upon motion duly made, seconded and unanimously carried, the minutes were approved subject to correction.

2. Ratification

The Chairman announced that the next order of business was certain matters for "Ratification." Counsel reported on the "Use Certification" for PTI, PTI Docket 11-01. The Chairman has signed the annual Use Certification indicating that PTI would use the Federal Universal Support funds received in accordance with federal requirements. Counsel indicated that PTI met all the applicable requirements for USF, and recommended approval. Upon motion duly made, seconded and unanimously carried, the Commissioners ratified the Chairman's action in approving the Use Certification for PTI.

The next matter for "Ratification" by the Commission was GPA Docket 11-12, Petition for Contract Review of Renewable Energy Procurement. In that Docket, the Chairman exercised his authority under 12 GCA §12004 to sign an Order authorizing GPA to proceed ahead with two renewable energy contracts, one with Quantum and one with Pacific Green Resources. GPA is required to have at least 5% of its net energy resources as alternative energy by 2015; furthermore, GPA established that it had complied with the statutory requirements for procuring alternative energy sources. Upon motion duly made, seconded, and unanimously carried, the Commissioners ratified the Chairman's authorization for the GPA renewable energy contracts.

The next matter for "Ratification" was GPA Docket 11-13, GPA's Petition for Approval of the Smart Grid Project. Due to the need for GPA to proceed expeditiously with the Smart Grid Project, the Chairman had approved the

project based upon urgency. Unless the project proceeds ahead quickly, GPA could potentially lose \$17M in federal grant funds. Upon motion duly made, seconded and unanimously carried, the Commissioners ratified the Chairman's action in approving the GPA Smart Grid Project.

3. GTA TeleGuam Holdings LLC

The Chairman indicated that the next matter for consideration was Docket 05-01, Motion of GTA TeleGuam Holdings LLC to Stay the PUC Order dated September 19, 2011, Memorandum of Points and Authorities, PUC Legal Counsel Report, and Proposed Order. Counsel indicated that, in September, 2011, the Commissioners had ordered that GTA amend its general exchange tariff to clarify the issue of whether the tariff applied to GTA Telecom LLC or not. On the date compliance was due, December 19, 2011, GTA filed a motion to "stay" that Order; on December 19, GTA also filed the Joint Application of GTA TeleGuam Holdings LLC and GTA Telecom, whereby Telecom would transfer its Certificate of Authority back to TeleGuam. GTA justifies the transfer in order to simplify its corporate structure; if the joint application is granted by the PUC, the only operational entity for GTA would be TeleGuam Holdings LLC.

If Telecom's Certificate of Authority is transferred to TeleGuam, then there would be no further reason for GTA to amend its general exchange tariff to include Telecom. Counsel believes that GTA's motion for stay is a reasonable request; it does not seek to disregard the prior PUC Order, but to comply with the Order in a different manner than originally contemplated. The Order prepared for the Commissioners' consideration by Counsel would "stay" the prior Order issued in Docket 05-01 pending the PUC determination on the Joint Application in GTA Docket 11-14. If the application is granted, GTA would not need to amend its general exchange tariff; if the application is denied, GTA would have 60 days from the date of the denial to amend its general exchange tariff. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Order, which "stays" the prior Order issued in Docket 05-01 on September 19, 2011.

Counsel indicated that GTA Docket 11-14, the Joint Application of GTA TeleGuam Holdings LLC and GTA Telecom LLC for Approval of the Assignment and Transfer of Telecom's Certificate of Authority and Eligible Telecommunications Carrier Certificate to GTA TeleGuam Holdings LLC, was on the agenda merely for informational purposes, to advise the Commission that the Application had been made. This Application was filed the same day by GTA as the Motion for Stay. Although the Commission is not asked to take any action on this matter at the present time, a public hearing has been scheduled in this matter in February.

4. Port Authority of Guam

The Chairman announced that the next item of business was Port Authority of Guam, PAG Docket 11-01, Petition for Tariff Rate Relief, ALJ Report and Proposed Order. Counsel indicated that ALJ Mair rendered the services and conducted the hearings in this matter. In a detailed rate proceeding, the Port's Petition for rate increase had been fully examined by the PUC Consultants, Slater & Nakamura. The PUC Consultants engaged in numerous exchanges with the Port Authority Consultants, the Cornell Group. Slater & Nakamura recommend approval of the requested rate increase.

There was no contrary public testimony at the public hearings on the requested rate increase. The general rate increase requested is in the vicinity of 3.9%. A number of different charges will be increased such as port entry fees, dockage fees, security fees, maintenance fees, utility connection fees, wharfage fees, stevedoring, transshipment fees etc. There is a list of the applicable charges that will be increased in the Slater & Nakamura Report. One issue in the case was charges for chassis versus the grounded method of handling cargo. In the proposed rates there is a reduction in the grounded cargo charges as an incentive to shippers who use that method of handling cargo as opposed to the chassis method. All of the reports found that the requested increase by the Port is just and reasonable.

The Port has not has a significant rate increase since 1993, and the only increase was an "interim" increase granted by the PUC a few years ago. In comparing the Port's rates with other ports, including those is Saipan, Hawaii, the East Coast, and the Gulf Coast, the amounts charged by the Port have been disproportionately low. The current low level of the Port's rates has been recognized by the PUC Consultants, the ALJ, and the Port Consultant, the Cornell Group. The ALJ Order requires the Port to examine whether the slowdown of the "build-up" may impact the ability of PAG to generate the revenue it needs to service its debts. The Port is required to file a report with the PUC in six months. It is also required to file a five-year rate plan within six months.

Commissioner Perez clarified that this rate increase is for six months. Senator Tom Ada appeared before the Commission to further consider whether the revenues generated from this rate increase should be for capital improvements or for operations and maintenance, or both. If both, there should be clarification as to whether an allocation scheme has been provided, i.e., 50/50 or otherwise. Some parts of the Report speak of the need for tariffs to generate revenues for facilities and equipment, CIPs. However the Report also indicates that the rate revenues will cover the cost of operations. So, it's not very clear as to where the funds are going. The second concern raised by Senator Ada is that, with regard

to the rates of container wharfage and petroleum wharfage, the incoming rates are approximately twice the amount of the outgoing rates. The outgoing rates are far lower. Senator Ada is not certain that there is a public policy which directs this result. Finally, based upon the Cornell Report, Senator Ada wonders whether the rate increase should actually have been 4.3% rather than 3.9%. The 3.95% rate increase would be more adequate if the commodities-based rate approach is used.

Jojo Guevera, the Chief Financial Officer of the Port responded that it would be difficult for the Port to implement a commodities-based approach which would be more applicable for a military buildup. The Port is still implementing the flat rate fee increase rather than the commodities-based rates. The revenues from the proposed rate increases will be applied to both CIPs and O&M expenses. The budget indicates what amounts are allocated for CIP projects. Mr. Guevera indicated that the intent of lower rates for outgoing container wharfage is to promote transshipment. The Port earns revenues both from shipment in and shipment out. The lesser fee for shipment out was adopted in 1993 and there has always been a higher rate on the inbound and a lesser rate on the outbound to promote transshipment.

Senator Ada then indicated that according to the Cornell Report, at the six sample ports, the rates for outgoing were higher than the rates for incoming. The Port General Manager Mr. Leon Guerrero indicated a concern that if they raise the outbound rates, it would incentivize the other outer islands to build their own storage capacity to preclude the need for Guam to be a transshipment hub for them; they (the outer islands) would probably go from the supplier straight to the islands perhaps and bypass Guam. Mr. Carrara of IP&E testified that the price differential was likely designed to encourage transshipment, to encourage more supply to Guam. The Chairman of the Port Authority Mr. Dan Tydingco stated that the Port would revisit this tariff within six months. In the meantime, the Port Board of Directors and the Port Management will dialogue with the transshipment companies and other affected parties to address these issues about the price differentials for incoming and outgoing. A report will be provided to the PUC in six months.

Commissioner Perez indicated that Senator Ada's three points should be addressed by the Port. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Order implementing the Port rate increases with the addition that the submission of a five-year rate plan in six months by the Port include documentation to substantiate the policy behind the differential in the import-export charges. Counsel indicated that he could add such a paragraph. The motion carried.

5. Guam Power Authority

The Chairman announced that the next item on the agenda was GPA Docket 11-14, Petition for Contract Review of the New Office Project, PUC Counsel Report and Proposed Order. Counsel indicated that the concept of a new office complex for GPA was not a new idea; the Legislature included \$35M for such project in the legislation approving the GPA bond issue. More recently the Legislature transferred a certain lot in Fadian to GPA on which it is anticipated that the new office complex would be built (P.L. 31-77). GPA's petition provides a substantial justification for the new office project, including a space allocation study by RIM Architects. The complex would house both GPA and GWA employees, the administrative side of both houses. Through consolidation, GPA and GWA will be able to prevent duplication of efforts in certain areas and gain efficiencies.

Building the new facility will potentially save an additional \$500,000 per year that presently goes for rent. The present facility is cramped and has potential safety hazards including inadequate parking. The RIM study indicates that the most cost effective approach is to build the new facility at a cost of \$1.53 per square foot. The new building would house approximately 237 GPA and 137 GWA employees, and be approximately 123,000 square feet. The building will be LEED efficient. The RIM study concludes that construction of the new office complex is the most advantageous alternative.

Commissioner Perez asked GPA whether they are contemplating a staff increase after 2020 to 385 or did that also include GWA? Mr. Joe Pangelinan of RIM Architects indicated that it was requested to project a ten year growth projection up to 2020. Mr. Pangelinan indicated that it was with GWA where the significant increase would take place. The Chairman asked whether the control dispatch center would be moved. General Manager Joaquin Flores indicated that the dispatch control center would be moved to the new office complex as it has been deemed critical infrastructure to avoid a natural disaster threat. The Chairman confirmed that the estimated cost for construction now is \$2.50 a square foot. Upon motion duly made, seconded, and unanimously carried, the Commissioners approved GPA's construction of its new office complex in the submitted Order as written.

The Chairman announced that the next item of business was GPA Docket 11-15, Petition for Contract Review of Dededo Combustion Turbine 1 & 2, PUC Counsel Report and Proposed Order. Counsel indicated that Dededo CT2 has been out of commission since 2004. The Dededo CT1 has been out of commission since December 29, 2010. The issue is what to do with these generators. They are expensive and cost in the range of \$16 to \$20M each to build. The longer that repairs are delayed, the more the generators deteriorate. GPA obtained repair estimates from TEMES, and the estimated repair is \$2.4M for Unit No. 1 and

\$2.8M for Unit No. 2. The proposed Order would indicate that if the turbine repair is not addressed expeditiously, the turbines and the auxiliary equipment will continue to deteriorate for lack of operation. Future damage could result if the repair is delayed, and repairs will be more costly in the future.

The Dededo CTs improve the backup reliability of the system by providing additional generation capacity in the event of outages. They also provide support to Andersen Air Force Base Load. GPA will seek to pay for the repair costs through contractor financing, hopefully for a period of 36 months at an interest rate of around 4%. GPA will be required to seek approval from the PUC contracts when the final price has been determined. Commissioner Perez asked whether bringing these generators back up would increase GPA revenues. General Manager Flores indicated that GPA is trying to negotiate the transfer of an underground line built by Andersen Air Force Base with AFCOM monies to GPA. DoD is an important customer, a \$90M customer (20% of total revenues). Mr. Flores also clarified that the Dededo CTs will also serve as peaking units for the entire grid, not just dedicated for Andersen.

Commissioner Pangelinan asked about the statement in Counsel's Report that Georgetown had previously recommended delay on approval of the repairs for Dededo No. 2. Counsel indicated that cost had previously been an issue, and there was no determination of how much it would cost to repair the units. There was an issue as to whether the cost would justify the repairs. Only one unit was down at that time. Circumstances are different now. Commissioner Johnson asked as to what kind of life expectancy these generators would have if the repairs are done. General Manager Flores indicated that the generators are relatively young, having been installed in 1992. They still have significant life with minimum prior hours of operation. In response to a question by the Chairman, GM Flores indicated that GPA was still considering LNG. Installation of infrastructure to put the gas lines in is difficult. The Chairman further confirmed that the only feasible option near-term for the Dededo location was the Dededo CTs that currently exist. Upon motion duly made, seconded, and unanimously carried, the Commissioners move to authorize GPA to repair the Dededo CTs and approved the proposed Order.

The Chairman announced that the next matter for consideration was GPA Docket 11-02, Petition to approve Procurement of Program Management Services, PUC Legal Counsel Report, and Proposed Order. Counsel indicated that in March of 2011, the PUC authorized GPA to procure a contractor for its Program Management Office. GPA went out to bid and has now selected PMO contractors RW Armstrong for GPA and Brown & Caldwell for GWA. The contracts are based on specific project orders for services with "not to exceed costs." The "not to exceed" amount for RW Armstrong is \$3.9M over a 36-month period, and for Brown & Caldwell, \$3.2M. The contracts are for management of

bond funded projects, not military build-up projects. The "not to exceed" costs are based roughly upon a figure of 5% of the bond project costs for project administration. GPA takes the position that there will be no additional rate impact for these contracts. GPA will closely monitor project costs. Each contract should create training for GPA employees: the PMOs are supposed to provide training for the existing GPA employees and to improve their skills.

Commissioner Perez asked whether the PMO was the recommendation of the GPA management audit; GPA's Legal Counsel responded that it was. Commissioner Perez asked whether six month reports would be provided by GPA. GPA Counsel indicated that they already submit such reports quarterly as part of the reporting on bond projects. Commissioner Pangelinan asked a question about copies of the final contracts. PUC Counsel indicated that sample contract forms had been provided to Counsel in the discovery process. Commissioner Pangelinan moved to approve GPA's procurement of PMOs for GPA and GWA, subject to the submission of the final contracts to the PUC and confirmation by PUC Legal Counsel that the contract is consistent with the PUC Order. Upon motion duly made, seconded and unanimously carried, the PUC approved GPA's PMO procurements for RW Armstrong and Brown & Caldwell, subject to the aforementioned requirement.

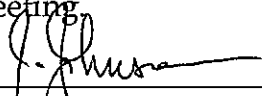
6. PUC Website

Counsel indicated that if website services procured were less than \$15,000, such can be procured in a "small purchases" procurement where PUC obtains at least three informal quotations from vendors. Counsel requested that an informal procurement letter be sent out under the Administrator's signature requesting submission of an informal bid. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the issuance of such informal ("small purchases") bid for website services.

7. Administrative Matters

Counsel reported on the status of pending PUC RFPs, RFP 11-01 (PUC Consulting Services regarding GPA and GWA), and RFP 11-02 (PUC Consulting Services regarding Telecommunications). The Commissioners had selected a contractor for services relative to GPA and GWA; contract negotiations have not yet been finalized.

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
7:00 p.m. January 11, 2012**

Agenda

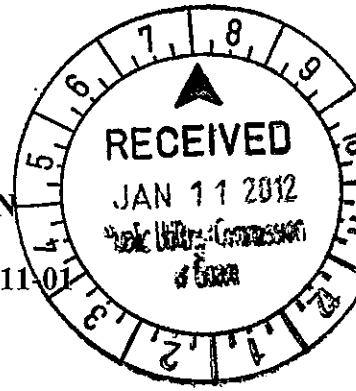
1. Approval of Minutes of November 7, 2011.
2. Ratification
 - Order, CP Docket 11-01, iConnect Request for Determination on Jurisdiction to Designate Eligible Telecommunications Carrier Status, PUC Counsel Report, and Proposed Order
 - Use Certification, PTI Docket 11-01, PTI Petition for Annual USAC Certification, PUC Legal Counsel Report, and Use Certification
 - Use Certification, GT Docket 11-03, Petition for Annual USAC Certification, PUC Legal Counsel Report, and Use Certification.
 - GT Docket 11-13, Joint Petition of GTA Telecom LLC and PTI Pacifica Inc. for Approval of Interconnection Agreement pursuant to Section 252 of the Telecommunications Act of 1996, PUC Counsel Report and Proposed Order
 - GPA Docket 11-12, Petition for Contract Review of Renewable Energy Procurement, PUC Legal Counsel Report, and Proposed Order
 - GPA Docket 11-13, Petition for Contract Review of Smart Grid Project, PUC Legal Counsel Report, and Proposed Order
3. Port Authority of Guam
 - PAG Docket 11-01, Petition for Tariff Rate Relief by the Port Authority of Guam, ALJ Report, and Proposed Order
4. Guam Power Authority
 - GPA Docket 11-14, Petition for Contract Review of New Office Project, PUC Legal Counsel Report, Proposed Order
 - GPA Docket 11-15, Petition for Contract Review of Dededo Combustion Turbine 2, PUC Legal Counsel Report, Proposed Order

 - GPA Docket 11-02, Petition to Approve Procurement of Program Management Services, PUC Legal Counsel Report, Proposed Order
5. GTA Teleguam Holdings LLC

- Docket 05-01 [General Regulatory Docket], Motion to Stay Amended General Exchange Tariff pursuant to Docket 05-01 Order dated September 19, 2011, Memorandum of Points and Authorities, PUC Legal Counsel Report, Proposed Order
 - Docket 05-01, Joint Application of GTA Teleguam LLC and GTA Teleguam Holdings LLC for Approval of the Assignment and Transfer of Telecom's Certificate of Authority and Eligible Telecommunications Carrier Certificate to GTA Teleguam Holdings LLC, Public Notice of Application, Scheduling of Proceedings
6. PUC Website
- update
7. Administrative Matters
- Counsel Report on Status of RFP 11-01 (PUC Consulting Services regarding GPA and GWA) and RFP 11-02 (PUC Consulting Services regarding Telecommunications); Commission Action
8. Other Business

Further information about the meeting may be obtained from the PUC's Administrator Lou Palomo at 472-1907. Those persons who require special accommodations, auxiliary aids, or services to attend the meeting should also contact Ms. Palomo.

This Notice is paid for by the Guam Public Utilities Commission



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN RE: PETITION FOR TARIFF RATE) PAG DOCKET 11-01
RELIEF BY THE PORT) ORDER
AUTHORITY OF GUAM)
_____)

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the June 28, 2011 Base Rate Case Petition (hereinafter referred to as the “Petition”) filed by the Jose G. Leon Guerrero Commercial Port, Port Authority of Guam (“PAG”). In the Petition, PAG seeks to increase rates in its existing terminal tariff by 3.95%, as well as other tariff rate adjustments detailed therein.

DETERMINATIONS

1. On December 30, 2010, PAG filed a Final Report on the Comprehensive Tariff Study (hereinafter referred to as the “Cornell Report”), which was prepared by the Cornell Group, Inc. (“Cornell”), consultants for PAG, and contained a proposed terminal tariff. Pursuant to 12 G.C.A. §12001.2, PAG published the proposed rate increases of the proposed terminal tariff in the Pacific Daily News on January 28, 2011.

2. On June 20, 2011, the PUC by administrative order engaged the consulting firm of Slater Nakamura to assist with the rate investigation of PAG’s Petition.

3. On June 28, 2011, PAG filed a Base Rate Case Petition, which petitioned the PUC to approve an increase of rates in PAG’s terminal tariff by 3.95%, as well as other tariff rate adjustments detailed in the schedule attached thereto.

4. On September 28, 2011, Slater Nakamura transmitted to the Administrative Law Judge of the PUC (the “ALJ”) its Report on the Tariff Investigation, which detailed its investigation on PAG’s tariff rate increases.

5. On October 27, 2011, the ALJ met with the consultants from Cornell and Slater Nakamura, as well as PAG's management, to discuss the rate petition.

6. On October 27, 2011 and October 28, 2011, the ALJ held duly-noticed public hearings in the villages of Hagåtña, Asan, and Dededo.

7. On November 3, 2011, Slater Nakamura transmitted to the ALJ its revised Report on the Tariff Investigation.

8. On November 14, 2011, the ALJ filed an ALJ Report regarding PAG's June 28, 2011 Petition. Included in the ALJ Report were his findings and recommendations based on the following: PAG's June 28, 2011 Petition; the June 23, 2011 PAG Board of Directors' Resolution approving the proposed terminal tariff regulations and rate changes prepared and recommended by Cornell, which is attached to the Petition; the financial schedules also attached to the Petition; the written testimony from PAG management, staff, and Cornell consultants; the October 27, 2011 and October 28, 2011 public hearings; as well as the December 30, 2010 Report filed by Cornell and the September 28, 2011 and November 3, 2011 reports prepared by Slater Nakamura.

9. The ALJ found that PAG's Petition was based on the necessity for PAG to modernize its facilities in light of the impending military buildup since PAG's current physical condition was incapable of dealing with the projected increases in both break-bulk and containerized cargo,¹ that in order for PAG to deal with the projected cargo, the Port required expansion, and that the proposed tariff must be capable of generating sufficient revenue to cover operating costs, as well as service the loans required of a proposed capital expansion of the port.² The ALJ additionally found that PAG's modernization included an

¹ ALJ Report, PAG Docket 11-01, p. 19 (Nov. 14, 2011).

² *Id.* at 19-20.

estimated \$200 million in capital improvement projects,³ that PAG secured about \$113.5 million in funding⁴; and that “PAG must generate additional revenue through tariff increases applied primarily to the cargo operations that benefit directly from the productivity and service improvements resulting from the construction of additional facilities.”⁵

10. With respect to the proposed rates, the ALJ found that the tariff rate increases and adjustments were “just” and “reasonable” “based upon the current economic environment” and “prevailing market rates”; and, 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” in preparation for the impending military buildup.⁶

11. The ALJ additionally found that PAG’s cargo handling charges were just and reasonable since such charges are significantly lower than similar ports⁷ and because “[c]onventional practice in the port industry suggests that Public Ports should target a return of between 10% to 12% on their capital investments”⁸; that “[a] rate increase of 3.95% will provide an acceptable IRR of 10.1% and adequate NPV of \$33.3 million for the current level of investment”⁹; and that with the 3.95% rate increase, PAG would be able to comply with its loan covenants for the \$63.5 million.¹⁰

12. The ALJ further found that PAG’s chassis operation resulted in space

³ *Id.* at 20.

⁴ *Id.*

⁵ *Id.* (quoting Cornell’s Comprehensive Review of Tariff (the “Cornell Report”), p. 22 (Dec. 30, 2010)).

⁶ *Id.* at 20-21.

⁷ *Id.* at 21.

⁸ *Id.* (quoting the Cornell Report, at 24).

⁹ *Id.* (quoting the Cornell Report, at 25).

¹⁰ *Id.* (quoting the Cornell Report, at 28).

constraints and lower productivity,¹¹ that PAG's proposed equalization of grounded and chassis was consistent with pricing for container operations at other ports, with Guam's rates costing less than ports in the East and Gulf Coasts in the U.S.,¹² and that the assessment of storage fees is standard for the industry.¹³ Accordingly, the ALJ found that such equalization was just and reasonable.

13. The ALJ also found that PAG's proposed utility connection fees were just and reasonable based on the practices of other ports;¹⁴ that PAG's proposed tariff equalizing its fees for departing/originating and arriving passengers is consistent with industry standards and thus just and reasonable;¹⁵ and, that PAG's proposed rates for fuel throughput and bunkering were just and reasonable since such rates were still lower than other similar ports.¹⁶

14. The ALJ further found PAG's revisions to the terminal tariff were reasonable in order for PAG to respond to any unanticipated and unplanned situations¹⁷ and agreed with PAG's simplification of the existing tariff by folding all the rates, fees, and charges into one, single document.¹⁸

15. In addition, the ALJ adopted the following findings stated in the Slater Nakamura Report: that no sensitivity analysis was presented by the PAG to evaluate the impact of recent events in both Japan and the United States that may further delay the build-up; that the costs of the required improvements to the marinas managed by PAG were not discussed in the capital improvement plan presented by PAG, nor were the costs

¹¹ *Id.* at 21-22.

¹² *Id.*

¹³ *Id.*

¹⁴ *Id.* at 22.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.* at 22-23.

of these improvements included in the tariff increase presented by PAG¹⁹; that no financing plan was in place to support the completion of the remainder of Phase I or Phase II of the 2007 Port Master Plan; and, that PAG should consider a commodity-based tariff approach in designing future rate plans.²⁰

16. Based on these findings, the ALJ recommended that the PUC approve the proposed tariff and labor rates indicated in the Slater Nakamura Report and that the PUC adopt the proposed tariff regulations contained the Cornell Report.

17. The ALJ also recommended that PAG return within six (6) months to file a five (5) year rate plan, which would detail any tariff rate increases for the next five (5) years.

18. The ALJ further recommended, based on the recommendations of Slater Nakamura, that the PUC also order the following: (1) that PAG conduct a sensitivity analysis to determine the impact of the recent events in Japan and the United States, along with the current throughput of materials on the ability of PAG to generate the revenue it needs to service its debts, and file a report on such sensitivity analysis within six (6) months of the PUC's approval of the instant rate Petition; (2) that PAG file a plan for the upgrade to the marina facilities within six (6) months of the PUC's approval of the instant rate Petition; and (3), that PAG file a financing plan for the completion of Phase I and Phase II of the 2007 Port Master Plan within nine (9) months of the PUC's approval of the instant rate Petition.

~~19. The ALJ additionally recommended, based on the recommendation of Slater Nakamura, that the PUC authorize the ALJ to conduct proceedings necessary to establish an appropriate debt service coverage ratio for PAG.~~

¹⁹ *Id.* at 23.

²⁰ *Id.*

20. The Commission hereby adopts the findings made in the November 14, 2011 ALJ Report and, therefore, issues the following:

ORDERING PROVISIONS

Upon consideration of the record herein, the November 14, 2011 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. The proposed tariff and labor rates indicated in “Appendix A” of the Slater Nakamura Report (attached to the November 14, 2011 ALJ Report as “Exhibit A”) are hereby approved.

2. The proposed tariff regulations contained in “Appendix A” of the Cornell Report (attached to the November 14, 2011 ALJ Report as “Exhibit B”) are hereby adopted, and where the rates differ, the rates indicated in the Slater Nakamura Report shall apply.

3. Within six (6) months, PAG shall file a five (5) year rate plan, which shall detail any tariff rate increases for the next five (5) years; this filing shall also address the policy justification as to why outgoing container and petroleum wharfage rates are less than incoming container and petroleum wharfage rates.

4. Within six (6) months, PAG shall conduct a sensitivity analysis to determine the impact of the recent events in Japan and the United States, along with the

current throughput of materials on the ability of PAG to generate the revenue it needs to service its debts, and shall file a report on such sensitivity analysis.

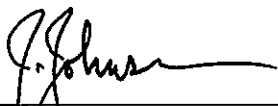
5. Within six (6) months, PAG shall file a plan for the upgrade to the marina facilities.

6. Within nine (9) months, PAG shall file a financing plan for the completion of Phase I and Phase II of the 2007 Port Master Plan.


7. The PUC authorizes the ALJ to conduct proceedings necessary to establish an appropriate debt service coverage ratio for PAG.

8. 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 GPUC'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 GPUC.


SO ORDERED this 11th of January, 2012.



Jeffrey E. Johnson
Chairman




Joseph M. McDonald
Commissioner



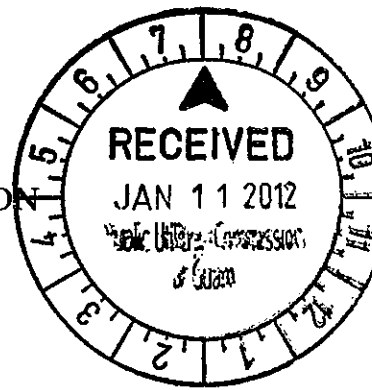
Rowena E. Perez
Commissioner

Filomena M. Cantoria
Commissioner



Michael A. Pangelinan
Commissioner

P118106.JRA



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:)
) GPA Docket 11-14
)
 Guam Power Authority's Petition for)
 Approval to Use Bond Proceeds for the)
 Fadian Office Complex) **ORDER**
)
)
)
 _____)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority of ["GPA"] for Approval to Use Bond Proceeds for the Fadian Office Complex.¹

BACKGROUND

3. On June 3, 2010, the PUC approved the 2010 GPA Revenue Bond and Subordinate Bond Issuance.² Attached as Exhibit A to the Order was a listing of projects which would be financed under the bonds, including the new office building.³
5. In Public Law 31-77, §31, enacted on September 21, 2010, the Guam Legislature transferred to GPA in fee simple, Lot No. 5412-2 (property in Fadian, Mangilao) "to provide necessary land for the development of a consolidated Central Office."⁴
6. In accordance with prior PUC Orders, GPA now petitions the PUC to authorize it to use bond proceeds for the Fadian Office Complex and to proceed ahead with the construction of the complex.⁵
7. On December 14, 2010, the Consolidated Commission on Utilities issued Resolution No. 2010-65. The Resolution indicated that GPA had contracted

¹ GPA Petition for Use of 2010 Bond Proceeds on the Fadian Office Complex Project, GPA Docket 11-14, filed November 4, 2011.

² See Order Approving Long-Term Debt, GPA Docket 10-01, issued June 3, 2010.

³ Id. at p. 1.

⁴ Public Law 31-77, §31, enacted on September 21, 2010.

⁵ GPA Petition for Use of 2010 Bond Proceeds on the Fadian Office Complex Project, GPA Docket 11-14, dated November 4, 2010, at p. 1-2.

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with RIM Architects to perform a space allocation study for the GPA-GWA Multi-Purpose Facility. The CCU found that the Fadian GPA-GWA Multipurpose Facility was reasonable, prudent and necessary for the use of 2010 bond funds.⁶

DETERMINATIONS

9. Based upon the Space Utilization Report prepared by RIM Architects, the proposed new Fadian Office Complex will reduce costs for leasing and renovating existing facilities, thereby streamlining utility operations and increasing efficiencies. The new Fadian administration and operations center will be designed and constructed in accordance with LEED standards to reduce electrical demand, water and sewer demand, and stress on the landfill.⁷
10. A new central office will address the current and future space needs of GPA and GWA as both agencies have outgrown their current facilities; and adequate parking for customers and employees. Such investment will protect GPA from rising rental market prices and provide opportunities for consolidation between GPA and GWA. Other efficiencies should be achieved by eliminating duplication of efforts between the two agencies.⁸
11. GPA's Space Utilization Report examined three alternatives in detail: do nothing regarding current operational inefficiencies and continue operating at the existing locations under the current working conditions; consider the leasing of office space at six various locations; construction of the proposed Fadian GPA-GWA Multipurpose Facility.
12. Based upon the Report's conclusions, it appears that: "the Construction of a new multipurpose facility at Fadian will offer the best return value on the basis of cost per square footage and provide quantifiable and intangible benefits to GPA, GWA, and their ratepayers."⁹

⁶ Id. at p. 2.

⁷ Id.

⁸ Id.

⁹ Id.

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17. In terms of Cost comparison, the Report concludes that the Construction of the Fadian Complex alternative has a lower operating cost and other benefits such as consolidation and improved facilities for both customers and employees.¹⁰

ORDERING PROVISIONS

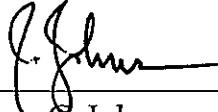
After a review of the record herein, GPA's Petition for review and approval of use of 2010 bond proceeds on the Fadian Office Complex, and the PUC Counsel Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's Petition for Approval to Use Bond Proceeds for the Fadian Office Complex is hereby approved.
2. GPA is authorized to commence construction of the Fadian Office Complex, and to use the bond proceeds for such construction.
3. GPA shall report the use of bond proceeds for the Fadian Office Complex to the PUC in accordance with the standard GPA reporting requirements concerning use of bond funds.
6. 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.

¹⁰ Id. at Section II, p. 27.

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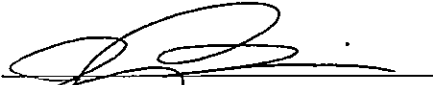
Dated this 11th day of January, 2011.



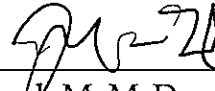
Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner



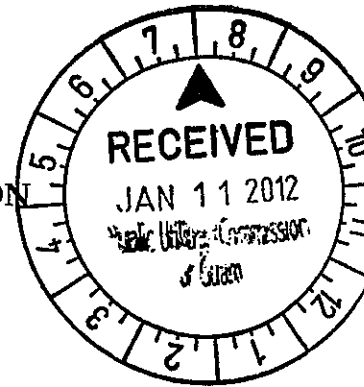
Michael A. Pangelinan
Commissioner



Joseph M. McDonald
Commissioner

Filomena M. Cantoria
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

) GPA DOCKET 11-15

)
)
) The Application of the Guam Power
) Authority Requesting Approval of the
) Procurement of the Repair of Dededo
) Combustion Turbine Generators
)
)
_____)

) **ORDER**

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Petition of the Guam Power Authority [“GPA”] for Approval of the Procurement of the Repair of Dededo Combustion Turbine Generators.¹

BACKGROUND

2. Dededo Combustion Turbine (CT) Unit #2 generator failed on May 29, 2004, leading to a shutdown of the unit.² The Unit has not been operational since that time.
3. On December 29, 2010, the Dededo Combustion Turbine (CT) Unit #1 tripped due to a broken radial lead bolt falling into exciter-side stator coils resulting in a short circuit fault.³ This Generator has also been non-operational since that time.
4. Taiwan Electrical and Mechanical Engineering Services Inc. has conducted Assessment Reports for both Dededo CT Generators.⁴
5. The estimated cost to complete the repairs is \$2.4M for Dededo CT Unit #1 and \$2.8M for Dededo CT #2.⁵
6. The CCU has authorized GPA’s General Manager to proceed with the procurement of the repair of the Dededo Combustion Turbine Generator; GPA now asks that

¹ GPA Petition for Contract Review of Repair Dededo Combustion Turbine Generators, GPA Docket 11-15, filed December 1, 2011.

² Consolidated Commission on Utilities Resolution No. 2011-51, adopted October 11, 2011, at p. 1.

³ Id.

⁴ TEMES Assessment Report for the Repair of #2 Generator at Dededo CT Power Plant, submitted December 2009; TEMES Preliminary Assessment Report for the Repair of #1 Generator at Dededo CT Power Plant, submitted February 2011.

⁵ CCU Resolution No. 2011-51, adopted October 11, 2011, at p. 1.

PUC approve its request to proceed with such procurement, alleging that the procurement is "reasonable, prudent, and necessary."⁶

DETERMINATIONS

7. If the repair of both turbines is not addressed expeditiously, the turbines and auxiliary equipment will continue to deteriorate for lack of operation. Future damage to the equipment may result, making any repairs even more costly in the future.⁷
8. It would not appear to be desirable, or an efficient use of power generation resources, to allow generators which cost in the range of \$16M to \$20M to simply deteriorate and become unusable.
9. The Dededo CT units provide important backup system reliability and, in particular, support the Andersen Air Force Base Load.⁸ The repair of the combustion turbines will allow GPA to support the power needs of the Air Force Base through the dedicated underground 34.5 kV link between the plant and the base.⁹
10. It is important to enhance output and efficiency for the military loads at Andersen Air Force Base; the Dededo CTs will be available as peaking units and to support the needs of Andersen during typhoons and outages.¹⁰
11. In addition, the availability of these units is important to support the IWPS when major base load units are down.¹¹

⁶ GPA Petition for Contract Review of Repair of Dededo Combustion Turbine Generators, GPA Docket 11-15, filed December 5, 2011, at p. 2.

⁷ See GPA Justification for Contractual Services to Repair Dededo CT Unit #1 & #2 Generators attached to GPA's Petition for Contract Review of Repair of Dededo Combustion Turbine Generators, GPA Docket 11-15, filed December 1, 2011.

⁸ Id. at p. 1.

⁹ Id. at p. 2.

¹⁰ Id. at p. 2.

¹¹ Id.

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12. GPA intends to use internal revenue funds to support these projects, and the total cost is over \$5M. Although cost is a factor, and there could be rate impacts, the cost appears to be justified.
13. To mitigate such impact, GPA plans to finance the repairs and has included requirements for financing the project for up to 36 months at no more than 4% interest in the bid documents.¹²
14. GPA has requested that bidders provide at least an 18 month financing proposal, which would be around \$300K/month. Depending on when the project starts, it may stretch over 3 fiscal years, thus spreading out expenses.¹³
15. The rationale for the procurement weighs in favor of authorizing the repair of the Dededo CTs.

ORDERING PROVISIONS

Upon consideration of the record herein, the GPA Petition for Contract Review of the Repair of Combustion Turbine Generators, and the PUC Counsel Report, for good cause shown and on motion duly made, seconded and unanimously carried by the undersigned Commissioners the Guam Public Utilities Commission
HEREBY ORDERS THAT:

1. The application of GPA requesting approval of the Procurement of the Repair of Dededo Combustion Turbine Generators #1 & #2 is hereby approved.
2. GPA is authorized to issue procurements for the repair of the Dededo Combustion Turbine Generators.
3. GPA shall submit the contracts for repair of the Dededo Combustion Turbine Generators to the PUC for approval.
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

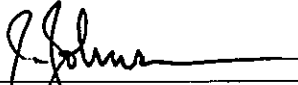
¹² Consolidated Commission on Utilities Resolution No. 2011-51, adopted October 11, 2011, p. 1.

¹³ Email from GPA Legal Counsel to PUC Counsel, GPA Docket 11-15, dated December 13, 2011.

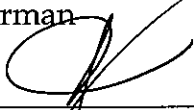
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expenses is authorized pursuant to 12 GCA §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

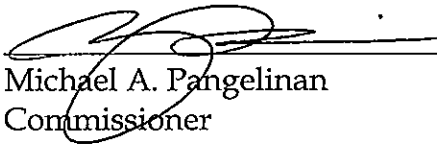
Dated this 11th day of January, 2012.



Jeffrey C. Johnson
Chairman



Rowena B. Perez
Commissioner



Michael A. Pangelinan
Commissioner



Joseph M. McDonald
Commissioner

Filomena M. Cantoria
Commissioner

5. The Consolidated Commission on Utilities has approved the awards to R.W. Armstrong and Brown & Caldwell for the GPA and GWA PMOs respectively.⁷
6. GPA has negotiated an initial “not to exceed” cost for the initiation of PMO services of \$3.9 Million with R.W. Armstrong; and GWA has negotiated an initial “not to exceed cost” of \$3.2 Million with Brown & Caldwell.⁸
7. GPA has also submitted the proposed Scope of Services for R.W. Armstrong and Brown & Caldwell, as well as the format for the proposed contracts.⁹

DETERMINATIONS

8. PMO costs of \$3.9M and \$3.2M for the GPA and GWA PMOs are derived as a percentage of the total bond funded project costs that will be funded from bond funds already authorized by the PUC.¹⁰
9. It is anticipated by GPA that these costs will cover the next 36 months of PMO services.¹¹
10. The present PMO funding does not include military build-up projects.¹²
11. If there is additional funding for the PMO’s required, GPA needs specific contract review approval from the PUC for any expenditure of bond funds, and for any expenditure of revenue funds for the PMO contracts in excess of \$1.5M.
12. PUC accepts GPA’s representation that the PMO costs are reflected in its budget as part of existing operational requirements, and there will be no additional ratepayer impact.¹³

⁷ CCU GPA Resolution No. 2011-63 and GWA Resolution No. 11-FY2012.

⁸ Id. at p. 1.

⁹ See Attachments 2 &3 to Letter from General Manager of GPA to PUC ALJ, GPA Docket 11-02, dated January 6, 2012.

¹⁰ Letter from General Manager of GPA to PUC ALJ, GPA Docket 11-02, dated January 6, 2012, at Attachment 2.

¹¹ Id. at p. 1.

¹² Letter from General Manager of GPA to PUC ALJ, GPA Docket 11-02, dated January 6, 2012, at p. 2.

¹³ Id. at p. 3.

13. GPA and GWA have expressly agreed to closely monitor the contracts and insure that Task Orders are issued with defined scopes of work, defined deliverables, and defined costs as a condition for approving any invoices from the PMO.¹⁴
14. GPA and GWA agree that, after award of the contracts and a subsequent assessment by the PMOs, they will provide specific staff development and process improvement plans to the PUC.¹⁵

ORDERING PROVISIONS

After careful review and consideration of the record herein, the above determinations, the Petition of GPA, the Report of PUC Counsel, the Responses to GPA/GWA PMO Questions and, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

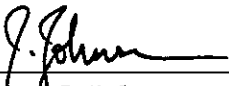
1. GPA's Petition for Approval of the PMO awards and contracts with R.W. Armstrong and Brown & Caldwell is hereby approved; however, approval is subject to filing by GPA of the PMO contracts with PUC and affirmance by Legal Counsel that the Contracts comply with the terms and conditions of this Order.
2. GPA and GWA are authorized to expend up to the amounts of \$3.9M and \$3.2M, respectively, for the PMO contracts [i.e. these costs are "not to exceed" values].
3. After award of the contracts and a subsequent assessment by the PMOs, GPA and GWA will provide the specific staff development and process improvement plans of the PMOs to the PUC.
3. GPA shall file a report with the PUC on or before the 15th day of June for each year that the PMO contracts are in effect as to what steps the PMOs have taken to develop the skills of GPA and GWA employees, and what actual improvements have occurred in the skill levels of such employees.
4. In the event that GPA or GWA utilize additional bond or revenue funds related to the PMO contracts, they shall comply with the express requirements of the Contract Review Protocol.

¹⁴ Id. at p. 3.


¹⁵ Id. at p. 3.

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 11th day of January, 2012.



Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner



Michael A. Pangelinan
Commissioner



Joseph M. McDonald
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Filomena M. Cantoria
Commissioner