

GUAM PUBLIC UTILITIES COMMISSION  
REGULAR MEETING  
JUNE 25, 2013  
SUITE 202, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 7:12 p.m. on June 25, 2013, pursuant to due and lawful notice. Commissioners Perez, Pangelinan, McDonald, and Montinola were in attendance. The following matters were considered at the meeting under the agenda made *Attachment "A"* hereto.

**1. Approval of Minutes**

The Chairman announced that the first item of business on the agenda was approval of the minutes of May 28, 2013. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the minutes subject to correction.

**2. Guam Power of Authority**

The Chairman announced that the next item of business was GPA Docket 11-09, GPA's FY2014 Base Rate Filing, and ALJ Status Report. Counsel indicated that the Commissioners had been provided with the Scheduling Order in this matter. GPA has filed its base rate case for FY2014; it is seeking an approximately 2.2% increase in base rates. GPA has also proposed a Commercial Paper program. Now, the schedule has been set as a result of a hearing conducted last week. In the Scheduling Order, it was determined that certain issues set forth in the rate petition would not be considered in the rate proceeding. There is only a short time frame of three months to address this case. It is anticipated that this rate matter will come before the PUC at the end of September because GPA is seeking increased rates effective October 1.

The Parties will now conduct discovery and file testimonies in early August. Then there will be village hearings on the proposed rate increase. A hard copy of the GPA Rate Petition is available for the Commissioners. Commissioner Pangelinan asked whether the list of items excluded from the rate case were those which would not affect the rates for FY2014. Counsel confirmed the understanding of Commissioner Pangelinan. Issues such as the proposed quarterly LEAC proceedings were previously addressed by the Commission. Other issues, such as self-insurance were already decided; some, like the Integrated Resource Plan, has its own separate docket. Revenue Decoupling and Regulation of Electric Service Providers also have their own dockets. Limitation of issues was done to streamline the rate case.

The Chairman stated that the next item on the agenda was GPA Docket 10-03, GPA Status Report on the Implementation of the New Fuel Hedging Protocol. Counsel indicated that GPA filed this report in response to prior PUC Orders in this docket and

in LEAC proceedings, Docket 12-13. GPA was ordered to file a report and respond to various recommendations that GCG had made. Counsel believes that progress has been slow; however, after his meeting with GPA officials, including the GM and GPA Legal Counsel, PUC Legal Counsel believes that GPA is adopting strategies regarding fuel hedging. GPA has a couple of hedges in effect for July and August. GPA is attempting to implement the fuel hedging program. While progress is slow, GPA is moving ahead. Rather than Counsel explaining the program, GPA has offered to provide a workshop and training on this matter for the PUC Commissioners. Upon further discussion, Commissioners indicated that the middle of August would be the best time for such workshop.

### **3. Port Authority of Guam**

The Chairman announced that the next item on the agenda was PAG Docket 12-01, Review of the \$12M ANZ Commercial Loan for the Purchase of POLA Cranes, and ALJ Report regarding Gantry Crane No. 2. Counsel stated that the ALJ's Report advises the Commissioners as to what steps the Port has taken with regard to Gantry Crane No. 2. Previously, the Port was required to file a Report concerning the status of Gantry Crane No. 2 by May 31, 2013. According to the ALJ, the Report filed by the Port on May 24, indicated that the General Services Agency assisted the Port in putting out a bid for the disposal of Gantry Crane No. 2. GSA issued a bid which required a minimum bid price of \$25,000 in exchange for the right of a company to dispose of the crane and to use it for intended purposes. The Port has determined that the crane is useless and inoperative; the parts do not work, cannot be maintained, and are deteriorating. GSA has received a positive bidder response. GSA is now finalizing the award. Counsel requested that the Port General Manager advise the PUC further on the status of the crane.

The Port GM, Ms. Joanne Brown, indicated that the Port was going through the procedures for the disposal of the crane with GSA. The Port will work with the selected company to determine its ability to remove the crane, which is a substantial piece of equipment. The crane will have to be disassembled, and the company will likely take the metal for scrap. It is not operational. The Port is required to move the crane as a part of its modernization project. The crane is no longer operational and has reached its life span. The crane is a liability. If the present process falls through, the Port will have to consider alternative plans for taking the crane down.

Counsel asked whether a bidder actually agreed to put in the \$25,000. GM Brown indicated that a bidder did agree to do so. Under the applicable procedure, even though the Port is an autonomous agency, GSA would be the one to obtain the funds and not the Port. The GM had hoped that the Port would receive the funds.

### **4. Guam Waterworks Authority**

The Chairman announced that the next item on the agenda was GWA Docket 13-01, Petition of GWA for Rate Relief, and ALJ Status Report regarding GWA's Multi Year Petition. Counsel indicated that GWA filed its rate case on June 5, 2013. There is a five-

year plan which would seek rates for 16% in FY2014, 14.5% in FY2015, 17.5% in FY2016, 10% in FY2017, and 9% in FY2018. According to the ALJ, the main driver of this rate plan is that GWA needs to issue as many as three separate bond issuances to fund improvements to the water and wastewater systems. These improvements are required by the Stipulated Order. The magnitude of these projects is in the range of \$450M. Debt Service for the bonds is the primary driver in the rate plan for the revenue requirements that GWA seeks. The ALJ has referred the rate petition to Lummus Consultants Intl., PUC Consultants for water matters. Lummus is reviewing the petition and will advise the PUC and the ALJ of their findings in August.

The Chairman stated that the next item on the agenda was GWA Docket 13-02, PMC Bid for Wastewater Collection System, ALJ Report, and Proposed Order. Counsel stated that GWA was basically asking for approval from the Commission under the Contract Review Protocol to go out on bid for a Performance Management Contract for the wastewater collection system. The prior PMC for GWA, Veolia, was not limited to the wastewater collection system. It also handled treatment. However, the new proposed PMC bid would limit the PMC to the collection system, involving the pipelines and pump stations. The treatment plant system is not included. GWA indicates that its internal ability to handle the treatment plant side has improved so that it is not now necessary to have that aspect included in the performance management contract. The ALJ concurs with GWA's position. He supports GWA's reduction in its need to use a PMC and continues to suggest that, to the extent GWA can do these tasks itself, which is a preferable track.

The Proposed PMC Contract will result in savings to GWA of approximately \$500,000 to \$600,000. The ALJ finds that the proposed contract is workable, and that GWA should be authorized to issue its bid for the PMC. The Consolidated Commission on Utilities has also authorized the bid. The major tasks of the PMC will be to clean up at least 55 miles of sewers annually, conduct a CCTB inspection of 55 miles of sewer, and inspect and clean known areas of sewer outflows and monitoring/cleaning of hot spots. Counsel asked GWA officials how the PMC would be funded. Prudencio Aguon, from the planning office of GWA, stated that the PMC would be internally funded, through revenues. PMC management fees will be paid for through GWA revenues. Counsel stated that there is a proposed Order which confirms the findings of the ALJ and would authorize GWA to issue an invitation for bids for the PMC.

At that point, Chairman Perez confirmed that the Commissioners present for the meeting were McDonald, Pangelinan, Montinola, and Perez. The Chairman then asked if Veolia's contract was completed. Mr. Aguon indicated that Veolia's contract expires in January 2014. Commissioner Perez asked about the cost in term of the contract.

Counsel stated that the contract was for a three year term, with one three year extension. Commissioner Montinola confirmed with Mr. Aguon from GWA that the cost of the contract would be \$600,000. The current budget for Veolia as PMC is \$1.1M. Commissioner McDonald stated that GWA then anticipates \$500,000 a year for the contract after the bid goes out. Mr. Aguon confirmed Commissioner McDonald's understanding. That amount is for the management fee.

Commissioner Pangelinan stated that GWA should be congratulated for developing the expertise to allow it to handle collection operations on its own, in house. This is a success story. Commissioner McDonald concurred. Commissioner Pangelinan pointed out that GWA had eliminated almost half of the cost of what it used to have to pay for the PMC. Mr. Aguon stated that GWA was proud of this fact. Commissioner McDonald asked what factors enabled GWA to handle the treatment plant on its own. Is the Veolia staff certifying GWA or is GWA going off island and certifying employees? Mr. Aguon indicated that GWA had certified officers. Off island managers had been brought in who have made Guam their home. Mr. Aguon indicated that Veolia had helped GWA recruit the certified managers, and had mentored those individuals. There were some local employees who had also stepped up. Mr. Aguon also indicated that GWA has brand new treatment plants. The Northern plant has been redone and there should not be major operational problems.

Commissioner McDonald further asked whether there would be a requirement in the PMC contract going out to bid for the contractor to certify the GWA staff if capable of the disposal. Mr. Aguon stated that the contractor does have to implement a training program. There is not presently a problem with certification; there is now an environment where GWA employees are competing for positions. GWA has more certified operators. Commissioner Pangelinan asked whether it was GWA's goal that, at the conclusion of this new PMC contract, GWA would also try to take care of all the collection operations in house too. Then the PMC could be eliminated on the collection side too. Mr. Aguon stated that he would study that, but he does not speak for the board or the GM. However, this is a goal of the managers. Upon motion duly made, seconded and unanimously carried, the Commissioners authorized GWA to issue a PMC Bid for Wastewater Collection System, which order is made *Attachment "B"* hereto.

A discussion ensued between GWA Legal Counsel Sam Taylor and PUC Counsel as to whether the meeting date for PUC meetings could be changed. It appears that there is a scheduling conflict as GWA meetings are currently scheduled for the same time as PUC regular meetings.

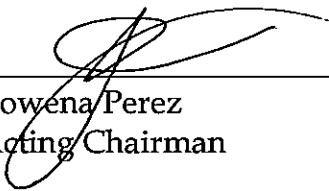
## **5. Administrative Matters**

The Counsel announced that Mr. Andy Niven, who is present tonight, has received his appointment from the Governor to be a Commissioner on the Guam Public Utilities Commission. The confirmation hearing has been established. Counsel also indicated that Commissioner Cantoria has been requested by the Governor's office to submit an updated application for Commissioner. Cyrus Luhr from Senator Tom Ada's Office indicated that it has also received an appointment for Ms. Cantoria from the Governor's office. The Commissioners indicated that this will result in a full Commission for the first time in many years.

As an additional matter, Counsel mentioned that the PUC Requests for Proposals have been announced. The Commissioner further discussed the possibility of rescheduling the meeting date, but decided to wait until the two new members are

confirmed. There was agreement to wait on this issue until all Commissioners are present.

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



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Rowena Perez  
Acting Chairman

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION  
REGULAR MEETING  
SUITE 202, GCIC BUILDING  
414 W. SOLEDAD AVE. HAGATNA, GUAM  
7:00 p.m., June 25, 2013**

**Agenda**

- 1. Approval of Minutes of May 28, 2013**
- 2. Guam Power Authority**
  - **GPA Docket 11-09, GPA's FY 2014 Base Rate Filing, ALJ Status Report**
  - **GPA Docket 10-03, GPA Status Report on the Implementation of the New Fuel Hedging Protocol (informational)**
- 3. Port Authority of Guam**
  - **PAG Docket 12-01, Review of \$12 Million ANZ Commercial Loan for Purchase of the POLA Cranes, ALJ Report Re: Gantry Crane #2**
- 4. Guam Waterworks Authority**
  - **GWA Docket 13-01, Petition of Guam Waterworks Authority for Rate Relief, ALJ Status Report Re: GWA's Multi-Year Rate Petition**
  - **GWA Docket 13-02, PMC Bid for Wastewater Collection System, ALJ Report, Proposed Order**
- 5. Administrative Matters**
- 6. Other Business**



**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

IN RE: PMC BID FOR GUAM )  
          WATERWORKS )           GWA DOCKET 13-02  
          AUTHORITY'S WASTEWATER )  
          COLLECTION SYSTEM )           ORDER  
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**INTRODUCTION**

This matter comes before the Guam Public Utilities Commission (the "PUC") pursuant to the June 6, 2013 Petition for Approval of GWA's Proposed Wastewater Collection System Performance Management Contract Bid, filed by the Guam Waterworks Authority ("GWA"). In its petition, GWA sought the approval of the PUC to issue a bid for a PMC to manage and operate GWA's wastewater collection system.

**DETERMINATIONS**

Pursuant to 12 G.C.A. §12004, GWA may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC's express approval. Additionally, pursuant to GWA's Contract Review Protocol issued in Administrative Docket 00-04, "[a]ll professional service procurements in excess of \$1,000,000" require "prior PUC approval under 12 G.C.A. §12004, which shall be obtained before the procurement process is begun . . . ."<sup>1</sup> With respect to "multi-year contracts," "[t]he test to determine whether a procurement exceeds the \$1,000,000 threshold for PUC review and approval (the review threshold) is the total estimated cost of the procurement, including cost incurred in any renewal options."<sup>2</sup>

<sup>1</sup> GWA's Contract Review Protocol ("GWA CRP"), Administrative Docket 00-04, p. 1 (Oct. 27, 2005).

<sup>2</sup> GWA CRP, p. 4.

On June 21, 2013, the Administrative Law Judge of the PUC (the “ALJ”) filed an ALJ Report detailing his review of GWA’s request to issue an IFB for PMC services related to GWA’s wastewater collection system. In the Report, the ALJ found that a PMC for the entire wastewater system was no longer necessary due to GWA’s representations that GWA has improved its ability to operate and manage its wastewater treatment plants. In addition, the ALJ further found, based on GWA’s admission, that while GWA’s operations have improved, its “technical and administrative skill levels have not reached a sufficiently high level to operate totally independent of the additional skills provided by a PMC”<sup>3</sup>; and that GWA still needed assistance to implement the requirements of the Amended Stipulated Order.<sup>4</sup>

Based on the draft IFB documents submitted by GWA, the ALJ found that the proposed scope of work indicated in the IFB documents were reasonable under the circumstances. The ALJ, therefore, concluded that GWA’s use of a PMC to assist with completing deadlines under the Amended Stipulated Order was a reasonable use of funding. However, the ALJ advised GWA to continue reducing its reliance on PMCs, and to proactively utilize the expertise of the PMC to educate and train its workforce.

With respect to GWA’s cost-benefit analysis, the ALJ found that the PMC would likely result in a savings for GWA based on GWA’s representations: that by reducing the PMC’s focus to the collection system only, GWA would “save

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<sup>3</sup> GWA’s Petition for Approval of GWA’s Proposed Wastewater Collection System Performance Management Contract Bid (“Petition”), Exhibit A (“New Performance Management Contract for the Guam Waterworks Authority Wastewater Collection System”), GWA Docket 13-02, p. 2 (June 6, 2013).

<sup>4</sup> Consolidated Commission on Utilities’ Resolution No. 29-FY2013, p. 1 (May 28, 2013).



\$500,000 to \$600,000 dollars in management fees annually versus a PMC which manages the entire wastewater system,”<sup>5</sup> in addition to other added values a PMC would provide, such as: assistance in developing certified personnel; developing succession plans for critical positions; development of maintenance programs for its wastewater facilities; development of operation and maintenance manuals and SOPs; and assistance in procurement and implementation of system improvements, among others.<sup>6</sup> Accordingly, the ALJ found that the cost estimate for the PMC was reasonable under the circumstances.

The Commission hereby adopts the findings contained in the June 21, 2013 ALJ Report and, therefore, issues the following:

#### **ORDERING PROVISIONS**

Upon careful consideration of the record herein, the June 21, 2013 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 the following:

1. GWA’s June 6, 2013 Petition for Approval of GWA’s Proposed Wastewater Collection System Performance Management Contract Bid is hereby approved. GWA is therefore authorized to proceed with issuance of an IFB related to a performance management contract for the management and operation of GWA’s wastewater collection system.

2. GWA 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>5</sup> Petition, Exhibit A, p. 1.

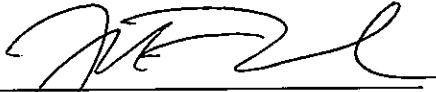
<sup>6</sup> Petition, Exhibit A, pp. 2-3.

expenses associated with the instant contract review. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§12002(b), 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

**SO ORDERED** this 25<sup>th</sup> day of June, 2013.

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**JEFFREY C. JOHNSON**  
Chairman



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**JOSEPH M. MCDONALD**  
Commissioner




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**ROWENA E. PEREZ**  
Commissioner

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**FILOMENA CANTORIA**  
Commissioner



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**MICHAEL A. PANGELINAN**  
Commissioner



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**PETER MONTINOLA**  
Commissioner

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