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Public Utilities Commission
GUAM

GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
MARCH 26, 2015
SUITE 202, GCIC BUILDING, HAGATNA

MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:40 p.m. on March 26, 2015, pursuant to due and lawful notice. Commissioners Johnson, Perez, Pangelinan, McDonald, Cantoria, Montinola and Niven 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 February 26, 2015. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the minutes subject to correction.

2. Guam Power Authority

The Chairman announced that the next item of business was GPA Docket 15-10, GPA Petition for Extension of the Fuel Oil Contract, Counsel Report, and Proposed Order. Counsel indicated that the Contract before the commission was for Residual Fuel Oil No. 6. The main fuel contract that GPA enters into each year costs approximately $300 to $400 million per year. In 2013, the PUC approved the RFO No. 6 Contract with Hyundai Corporation for a two-year base period and three possible one-year extensions. The current two-year base period ends this August 31. GPA must start now to make arrangements as to how the contract will be handled for the period after August 31, 2015.

GPA and Hyundai Corporation have been negotiating to reduce the premium portion of RFO fuel. The premium charge includes transportation of the fuel, insurance, and other expenses. Hyundai indicated that it would agree to a lower premium cost if a three-year extension of the RFO No. 6 contract extension was guaranteed. GPA is now asking the PUC to approve a three-year contract extension rather than proceeding with three annual one-year extensions provided for in the current contract.

According to GPA, as a result of its negotiations with Hyundai, the parties have agreed to a three-year extension in the RFO No. 6 Contract which produces savings in the neighborhood of $46M. It would be in the interest of the ratepayers for GPA to enter into a contract with such savings. Counsel is not aware of any provision of law which prevents GPA from so amending the contract.

The other benefit of the contract is that the Vanadium content of the fuel oil will be reduced by the supplier Hyundai from 100 parts per million to 90 parts per million. The reduction in Vanadium in the fuel oil will save wear and tear on the generators. Hyundai will not charge for this reduction in the Vanadium content; it is included as part of the deal. The proposed Order would authorize GPA to enter into Amendment No. 2 to the contract, which would change the three one-year annual extensions to a single three-year extension, and would change the price terms of the contract to those agreed upon and negotiated by the parties.

Commissioner Niven asked whether the premium charge on fuel was included in the LEAC Factor. Counsel indicated that it was included in the fuel charge. Commissioner Niven then asked if the negotiated contract would tend to keep the LEAC Factor down starting when the next LEAC Factor is in place at the end of July. Counsel indicated that, everything else being equal, there could be a reduction. There could be other charges that might offset the reduction too. The new negotiated prices for the three-year extension will not go into effect until September of this year. The LEAC Factor would not capture the reduction until September.

Commissioner Perez asked how the pricing is affected when the cost of fuel goes down. GPA General Manager Benavente explained that there are two components of the price in the contract. One is the commodity price (i.e.: Brent Crude goes up or down). Buyers of fuel oil essentially go with the market price. Price goes up and down. But, in addition to that price, there is a premium for the delivery or the handling, the blending of the fuel. The fuel used by GPA is not particularly in stock and it must be blended to specifications. That component is the premium component. GPA was able to negotiate the premium charge with Hyundai which results in a reduction of approximately $15M per year in savings.

Commissioner Montinola sought to clarify whether the $46M, the savings was coming from the future fuel cost. GM Benavente indicated that it was. Commissioner Montinola asked whether the fuel savings would've also been implemented with three one-year extensions. GM Benavente indicated that it would not. The price would have gone up. GPA would've had to pay more than it is now paying. With a three-year extension, the price went downward. Commissioner Montinola asked whether the prices were going down over the next three years to the actual reduction in the fuel oil price.

Chairman Johnson clarified that the $46M savings was only based upon the premium charges, including shipping and handling. GM Benavente indicated that if GPA purchased the 3 million barrels a year, there would be approximately a reduction of $5.00 per barrel. That reduction would be reflected every year for the next three years. The Chairman further clarified that GPA would still pay the going rate on the market for fuel oil on a month to month basis. The savings is from the charge on top of the commodity price.

Commissioner Perez further indicated that the premium charge is a constant. The Chairman indicated that the premium factor is always there; GPA was able to achieve a reduction in the premium charge by giving Hyundai a longer contract. GM Benavente indicated that it was better to get a contract in place now rather than rushing to do so at the last moment.

Commissioner Cantoria asked whether the contract was bid out or whether GPA was just negotiating on an existing contract. GM Benavente indicated that GPA was negotiating the existing contract for an extension. Other than the terms negotiated, all other terms and conditions would remain the same. Upon motion duly made, seconded and unanimously carried, the Commissioners approved three-year extension of the supply contract between GPA and Hyundai Corporation for RFO No. 6. The Commissioners adopted the Order made in *Attachment "B"* hereto.

The Chairman indicated that the next item of business was GPA Docket 14-01, GPA Informational Filing for Additional Expenses for CC&B Software. Counsel indicated that no Commission action was required on this matter. Previously the Commission approved roughly $4M for both GPA & GWA to implement its customer care and billing software. That software did go live on March 9, 2015. The Utilities are still working on ironing out the bugs on such software. After March 9, 2015, GPA & GWA have a six-month period during which WiPro, the Contractor, will continue to provide support and assist the utilities with issues involving the software.

The services to be performed by WiPro in this six-month period account for a new cost of roughly $600,000. GPA and GWA do not have to come back to the Commission for approval under the contract review protocol as the protocol provides a 20% additional allowance on amounts approved by Commission. Since the Commission already approved $4M, under the 20% rule, the utilities can expend up to $800,000 extra without once again coming back to the Commission for approval. The $600,000 additional that the utilities will expend is within the 20% rule.

The Chairman asked whether GPA General Manager Benavente had any comments. Mr. Benavente thanked the PUC regarding CC&B. General Manger Benavente mentioned that there is an automatic shutdown function on the software: if you don't pay your bill on time, the computer just shuts off your power. However, GPA has turned off that function. It wants to educate the public. So for the next six months, WiPro will be helping GPA implement the software and training GPA to get its billings out. The Chairman asked Mr. Benavente whether the PUC would receive a net metering report in April. Mr. Benavente indicated that yes, the PUC should receive the report.

3. Administrative Matters

PUC Administrator Lou Palomo reported that she received a response from CCUSecretary Lou Sablan at GPA regarding costs for implementing Boardbooks with the PUC. It would be a separate cost to PUC if it utilizes the board book software. Ms. Sablan suggested that PUC purchase its own Boardbooks separately. The PUC Administrator is looking at purchasing iPads so that the Commissioners can access the binder material through iPads via the website. She will get a proposal from GTA, Docomo and the Apple Store for iPads, and furnish them to the Commissioners. The Chairman suggested that the PUC start a little less expensively to get the ball rolling. Commissioner Montinola wondered how the iPads would function without Boardbooks. The Administrator suggested that iPads could be purchased separately.

Commissioner Niven clarified that, even without Boardbooks, the Commissioners could go online and review the docket materials. However, Commissioner Montinola felt there could be an issue with having to access Wi-Fi to locate the actual PUC documents. A developer would have to develop something from scratch which may already be included in Boardbooks. In the long run it is a development issue. Commissioner Perez agreed it could be more costly. Commissioner Niven felt it could just turn out to be a situation where the PUC should have done it the right way to begin with.

Commissioner Montinola wondered whether GPA and the CCU had experimented with anything else prior to Boardbooks. Administrator Palomo indicated that they had not. However, the Administrator indicated there would be an annual subscription fee with Boardbooks of $14,000 or $16,000. Counsel indicated GPA spent approximately $30,000 on Boardbooks. The Administrator also indicated that GPA has more users. The proposal for PUC was for 10 users.

Commissioner Montinola felt it would be a nightmare for billing purposes for PUC to tie in with GPA. The Administrator indicated that GPA would have to calculate the specific PUC usage. Commissioner McDonald felt research was necessary because of the yearly cost after Boardbooks is implemented. He believes that there may be software out there for a fraction of the cost for maintenance. The annual maintenance costs would be high. Perhaps there is a competitor to Boardbooks with a lower annual fee.

Commissioner Montinola felt PUC could go a different route that might be more compatible. Commissioner Niven wondered how much the PUC would save by not having all the paper and copying costs. Commissioner Niven also wondered whether, if PUC didn't piggy back on GPA, it would have to go through a procurement process. Counsel indicated PUC could do an informal bid if the amount is under $15,000. Commissioner Montinola felt all the Commissioners probably have iPads already.

Commissioner Niven stated that it is the software that would drive good management and flipping through the materials. If the documents are just put on the website, it will be difficult to find the documents or to scroll through them. Commissioner Montinola indicated that the Commissioner should be able to move quickly through tabs to move to the next document versus just scrolling up, like reading one long document. It would be tedious.

Administrator Palomo indicated that she would check with Ideal Advertising, the PUC website hosting provider, to see what type of system it could provide. Commissioner Montinola said that, in the worst case scenario, PUC could always use Boardbooks. But there are probably other companies out there. Administrator Palomo indicated she would do further research on different options for the next meeting.

The Chairman indicated the next item was Approval and Signing of the Ideal Advertising Web Hosting Contract Proposal. The Chairman stated his understanding that Ideal Advertising had agreed to cut its monthly charge to the PUC in half. Administrator Palomo confirmed that was correct. Commissioner Perez indicated that it was $295 for four hours of service. Commissioner Montinola asked what Ideal is currently billing. Administrator Palomo indicated Ideal was billing $585 per month as a flat rate. Commissioner Montinola asked whether it would be $295 per month for four hours of service, with $100.00 per additional hour. Administrator Palomo confirmed that was correct.

Counsel indicated that Ideal had not charged the PUC for extra monthly hours. Counsel indicated that the reason for the reduction was that Administrator is now inputting the materials in the website; before PUC was relying upon Ideal to do that. Additional services could cost more. A discussion ensued concerning changing pictures on the website. Commissioner Pangelinan indicated that the PUC should proceed ahead and get the cost savings before the next meeting. Upon motion duly made, second it and unanimously carried the Commissioners approved the Ideal Advertising Web Hosting Contract Proposal.

The Chairman stated that the next administrative matter was the Extension of PUC Contract for Administrative and Bookkeeping Services with Mr. George Kim. Counsel indicated that the proposed contract would commence April 1, 2015 and was exactly the same as the one previously approved for the past year. The hourly amount is the same, $25.00 an hour for 48 hours per month. The Administrator is satisfied with the services of Mr. Kim; he has helped her by having someone in the office and assisting with bookkeeping and accounting tasks.

The Administrator indicated that Mr. Kim was good. However, she also needs someone that can learn the tasks she performs. As it moves forward, the PUC needs to train somebody. Even a part time person would be appropriate. Ms. Palomo said that, before she undertook the position, it was vacant for almost a year in 2002. The Chairman believes that the PUC does wish to grow internally. Ms. Palomo indicated that Mr. Kim advises her. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the extension of Mr. George Kim's Contract for Administrative and Bookkeeping Services for another year.

The Chairman announced that there was one more item of business: An Informational Filing, PDS Docket 14-02, Order on Phase 2 Arbitration Issues. Counsel stated that this Order was filed to keep the Commissioners abreast of the occurrences in the Docket. In

Phase 1, the PUC approved the Interconnection Agreement between PDS and GTA. There the PUC authorized the Administrative Law Judge to conduct Phase 2 proceedings.

The remaining issues involved what rates will be charged for unbundled network elements. The parties have been unable to settle these rate charge issues to date; the proceeding could become lengthy and expensive. The first step is for GTA to conduct a "TELRIC" study, the "Total Element Long-Term Incremental Cost Methodology". The study will cost $90,000.

Once GTA prepares the study, PDS will have an opportunity to dispute it or to propose its their own cost model. In the meantime the PUC will retain its consultant Slater Nakamura to assist it with the technical issues involved in this rate proceeding. The parties will meet again on April 2 for a scheduling proceeding. The parties will receive "Preliminary Rulings" from the ALJ concerning fees and costs allocation for the proceeding. For the time being the parties will share the PUC costs between them based upon the outstanding Order of Commission.

GTA will bear the TELRIC study cost in accordance with federal regulations and FCC law. Later in the proceeding there will be a "True-Up". At that time the interim UNE rates will be readjusted based upon the final rates determined by the Commission. There will also be a True-Up on the costs. This could be based upon the PUC's determination of which party's position is more justified, and whether one party should have to bear more of the Commission expenses and costs in this matter than the other party. Hopefully, the parties will still be able to work on a easier resolution of the matter.

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

Rowena E. Perez
Acting Chairwoman

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
SUITE 202, GCIC BUILDING
414 W. SOLEDAD AVE. HAGATNA, GUAM
6:30 p.m., March 26, 2015

Agenda

1. Approval of Minutes of February 26, 2015

2. Guam Power Authority
   - GPA Docket 15-10, GPA Petition for Extension of Fuel Oil Contract, PUC Counsel Report, and Proposed Order
   - GPA Docket 14-01, Informational filing: GPA Filing for Additional Expense for CC&B

3. Administrative Matters
   - PUC Administrator Report on Ipads
   - Approval and signing of Ideal Advertising Web Hosting Contract Proposal
   - Extension of PUC Contract for Administrative and Bookkeeping Services
   - Informational filing: PDS Docket 14-01, ORDER Re: Phase II Arbitration Issues

4. Other Business

ATTACHMENT A

RECEIVED
MAR 26 2015
Public Utilities Commission
GUAM

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:	)	GPA Docket 15-10
	)	
The Application of the Guam Power Authority to Approve the Contract Extension for Supply of Residual Fuel Oil No. 6 to GPA.	)	**ORDER**

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of Guam Power Authority ["GPA"] to Approve the Contract Extension for Supply of Residual Fuel Oil No. 6 with Hyundai Corporation.[1]

BACKGROUND

2. On July 30, 2013, the PUC approved GPA's Contract for Supply of Residual Fuel Oil No. 6 with Hyundai Corporation.[2]

3. The existing Supply Contract for Residual Fuel Oil No. 6 between GPA and Hyundai Corporation commenced September 1, 2013 and expires on August 31, 2015. The present Supply Contract provides for up to three one-year extension options renewable annually.[3]

4. When the present Fuel Oil Supply Contract with Hyundai Corporation expires on August 31, 2015 (after the two year base period), GPA requests that the PUC authorize it to enter into a three year contract extension for the supply of Fuel Oil with Hyundai Corporation (rather than to proceed with the three one-year extensions provided for in the existing Contract).[4]

5. GPA has attached to its Petition a proposed "Amendment No. 2" to the Fuel Oil Supply Contract between GPA and Hyundai Corporation.[5]

6. In accordance with the proposed Amendment, GPA and Hyundai Corporation would delete the provision of the existing contract providing for options to

[1] GPA Petition for Contract Review, GPA Docket 15-10, filed March 11, 2015.
[2] PUC Order, GPA Docket 13-10, dated July 30, 2013.
[3] PUC Counsel Report, GPA Docket 13-10, dated July 19, 2013, at p. 2; See also Guam Consolidated Commission on Utilities Resolution No. 2013-37, issued June 25, 2013, at pgs. 2-3.
[4] GPA Petition for Contract Review, GPA Docket 15-10, filed March 11, 2015, at pgs. 1-2.
[5] See proposed AMENDMENT NO. 2, attached to Guam Consolidated Commission on Utilities Resolution No. 2015-11 (filed February 24, 2015).

ATTACHMENT B

extend the contract for three additional One (1) year terms. Instead, the parties would agree that the existing contract would be extended for a THREE (3) year term.

7. The CONTRACT PRICE for fuel oil during the three year contract extension would be as set forth in Exhibit "A", attached hereto. In exchange for a three year contract extension, Hyundai Corporation has agreed to fee premium price reductions.

8. On February 24, 2015, the Guam Consolidated Commission on Utilities authorized the Guam Power Authority to enter into a three (3) year contract extension with Hyundai Corporation for the Supply of Residual Fuel Oil No. 6 in accordance with the prices set for in Exhibit "A".[6]

9. The CCU found that the guaranteed three year contract extension would provide cost savings to GPA customers.

10. A further contract amendment would allow Hyundai to improve the oil quality specification for the Vanadium limit from 100ppm to 90ppm without additional expense to GPA; such reduction would help improve the efficiency of the affected equipment.[7]

DETERMINATIONS

11. Counsel had advised that he is not aware of any restriction which prevents GPA and Hyundai Corporation from altering their existing contract to provide for one three year contract extension rather than the three additional one year extension terms provided for in the existing contract. Section 40 of the Contract provides for written amendments thereto upon the mutual agreement of the parties.

12. In exchange for a three year extension term, Hyundai Corporation has agreed to substantially reduce its premium fees for the three year term.

13. The Guam Consolidated Commission on Utilities has determined that the premium fee reduction for a guaranteed 3-year contract extension will provide

[6] Guam Consolidated Commission on Utilities Resolution No. 2015-11, AUTHORIZING THE MANAGEMENT OF THE GUAM POWER AUTHORITY TO PETITION THE PUBLIC UTILITIES COMMISSION FOR THE THREE YEAR EXTENSION OF THE RESIDUAL FUEL OIL NO. 6 SUPLY CONTRACT WITH HYUNDAI CORPORATION, adopted February 24, 2015.
[7] Id. at p. 1.

an estimated total savings of approximately $46,226,415.00 over the three year term.

14. The Contract for Supply of Fuel Oil with Hyundai Corporation is essential to the operation of the Cabras power plants.[8]

15. Hyundai's voluntary agreement to reduce the Vanadium content of the fuel oil supplied from 100ppm to 90ppm may improve the operational efficiency of GPA's generators.

16. The contract extension for the Fuel Oil Supply Contract with Hyundai Corporation, for Residual Fuel Oil No. 6, is also essential to the operation of the Cabras power plants.

17. The contract extension is reasonable, prudent and necessary.

ORDERING PROVISIONS

After review of the record herein, GPA's Petition to Approve the Contract Extension for Supply of Residual Fuel Oil No. 6 with Hyundai Corporation, 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 to Approve the Contract Extension for Supply of Residual Fuel Oil No. 6 with Hyundai Corporation is granted.

2. GPA is authorized to enter into a three year contract extension with Hyundai Corporation in accordance with the renewal terms set forth in GPA's Petition.

3. Said contract renewal shall include the pricing terms negotiated between GPA and Hyundai Corporation, and the provision regarding fuel oil Vanadium content.

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 conducing the hearing proceedings. Assessment of PUC's

[8] Id.

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 26th day of March, 2015.

Jeffrey C. Johnson
Chairman

Joseph M. McDonald
Commissioner

Rowena E. Perez
Commissioner

Peter Montinola
Commissioner

Michael A. Pangelinan
Commissioner

Andrew L. Niven
Commissioner

Filomena M. Cantoria
Commissioner