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January 15, 2021

VIA HAND DELIVERY

The Honorable Governor Lourdes A. Leon Guerrero
Maga'haga of Guam
Ricardo J. Bordallo Governor's Complex
Adelup, Guam

The Honorable Speaker Therese Terlaje
Speaker, 36th Guam Legislature
Guam Congress Building
163 Chalan Santo Papa
Hagatna, Guam 96910

Re: Guam Public Utilities Commission FY2020 Annual Report

Dear Governor Leon Guerrero and Speaker Terlaje:

In accordance with the mandate of 12 GCA § 12104, the Guam Public Utilities Commission ["PUC"] respectfully submits its Annual Report for Fiscal Year 2020.

Attachment A, enclosed herewith, sets forth the major regulatory actions undertaken by the PUC in FY2020.

In FY2020, the PUC was successful in reducing its regulatory fees (the amounts charged to utilities for regulatory services) by 7%.

During the fiscal year, the PUC continued to proceed ahead with its Management Audit of the Guam Solid Waste Authority ["GSWA"]. Three individuals from the PUC consultant for GSWA, MSW Consultants, visited Guam in November of 2019 for approximately one week to conduct necessary investigation, on-sight inspections, and meetings with officials of GSWA and the PUC concerning the Audit. Although two more trips had originally been scheduled to Guam for the project, the Second Working Meeting and the Final Meeting and presentation were conducted virtually. MSW was able to complete its investigation through email communications and by online discussions with GSWA officials, the Administrative Law Judge ["ALJ"], and the PUC Commissioners.

The Final Management Audit was completed in early FY2021 and approved by the PUC and adopted as its Management Report, in accordance with 10 GCA § 51A119. A principal recommendation of the Report was that Guam should adopt mandatory refuse collection services for all residential customers. According to the Audit, mandatory residential refuse collection would increase revenues to GSWA and at least partially reduce the anticipated need for future rate increases for GSWA refuse collection services.

The Management Audit concluded that rate increases in FY2022 and 2024 would likely be necessary, with total increases in the range of 30%, or an increase of approximately $10 per customer over the present bill. The PUC will continue to monitor the GSWA rate situation and will address any petitions brought by GSWA in this regard.

Based upon a considerable drop in fuel oil prices, for FY2020 the PUC was able to substantially reduce the Levelized Energy Adjustment Clause ["LEAC"] Factor for the Guam Power Authority from a rate of roughly $0.154242/kWh in February 2020 down to a factor of $0.086 cents /kWh in June 2020. Thus, there was nearly a 50% reduction in the LEAC factor for Guam's ratepayers during the period of February to June 2020. For the period of August 2020, through January 2021, the PUC maintained the LEAC Factor at $0.086 cents /kWh. To date, the LEAC factor remains at $0.086 per kWh.

In October 2019, the PUC approved the Energy Conversion Agreement between GPA and Korean Electric Power Company for the financing, construction, and commissioning of a new 198MW Power Plant, to be run on Ultra Low Sulfur Diesel. The PUC also approved a Consent Decree negotiated by GPA with the United States Environmental Protection Agency ["USEPA"] to resolve certain environmental litigation brought by the federal government against GPA. USEPA alleged that certain GPA plants had violated federal emission standards. The Consent Decree requires the construction of the 198MW Power Plant. GPA was able to resolve the litigation for a penalty payment amount of $400,000, which is substantially lower than penalties assessed against other jurisdictions.

PUC also expanded GPA's Demand Side Management Program, which provides subsidies to ratepayers for use of energy efficient appliances, by creating an annual funding source of $3M for DSM through the LEAC clause. The air conditioning rebate program has been extremely popular with ratepayers. The PUC also approved Performance Management Contracts for GPA's Cabras No.1 & 2 generating plants.

GWA filed a major rate case in July 2019. It had originally proposed water and wastewater rate increases of 44% over a 5-year period. However, after extensive regulatory review and consideration by the PUC Consultant, GWA and PUC agreed to a 5% water and wastewater base rate increase for FY2020, and an additional 5% increase for FY2021. The two-year cumulative rate increase requested by GWA was decreased by the PUC by 45%. This reduction resulted in savings to ratepayers of GWA of $10 to $15 million.

One of the most important aspects of the approved Stipulation was the implementation of a comprehensive Water Loss Reduction Program. Water loss levels of 55-58% have adversely affected GWA's operations for over 40 years. The PUC has now required GWA to submit a water loss reduction plan with annual loss reduction targets. In FY2020-2021 GWA will include water loss reduction project spending of no less than $14M. GWA has agreed to undertake measures that will reduce GWA water loss by 20% over the 5-year period from 2020-2024.

In March 2020, the PUC authorized GWA to issue and sell Water & Wastewater System Revenue Bonds in an amount of $134,000,000.00. GWA was also authorized to refinance outstanding 2013 Bonds. The purpose of the Bond Issuance was to fund capital projects required to meet the Order for Preliminary Relief in Civil Case No. 02-0035 in the United States District Court, and for other capital projects necessary for regulatory compliance, system improvement, and for funding of a capitalized interest account and a debt service reserve account.

The PUC approved several projects designed to improve the Port Authority infrastructure and operations. The PUC approved over $1.4M for design services relative to the improvement of the EQMR Warehouse No. 1 and for Waterline Replacement Projects. The PUC also approved expenditures by the Port of over $1.5M for projects related to H-Wharf environmental permitting, improvements, and a complex project involving coral removal and relocation (required prior to the start of H-Wharf maintenance and repair project).

The PUC also authorized PAG to enter a contract with Oracle for the upgrade of its Financial Management System to JDE Enterprise One at a total cost of $2.14M, to be funded by PAG's Revenue bond proceeds.

In the Telecommunications area, the PUC approved a private interconnection agreement between Guam Telecom parties. Such review by PUC is required by federal law. PUC continued to perform its annual obligation of certifying to the Federal Communications Commission that local carriers are in compliance with the Universal Federal Support Program. The PUC Certification enables local companies to obtain federal funds for the development and improvement of the Guam telecommunications infrastructure. Such funds benefit local companies and the ratepayers of Guam.

The PUC does have one possible legislative enactment to suggest to the Executive and Legislative branches. The PUC Management Audit of GSWA has recommended that residential refuse collection and removal be made mandatory for all residences. Such legislation would potentially have two impacts: 1) reduction of illegal waste and dumping; and 2) a positive impact upon the financial condition of GSWA. The PUC Management Audit indicates that GSWA revenues are not presently sufficient to meet its obligations. A requirement for mandatory service would increase the revenues to GSWA through residential collection, and at least partially mitigate the need for future GSWA rate increases. The PUC does not believe that GSWA has yet taken a formal position on the implementation of mandatory residential collection.

The PUC looks forward to working with the Executive and Legislative Branches of our Government in enacting legislation that will improve the operations of the utilities. As always, PUC will comment to the legislative branch on any proposed legislation affecting the utilities.

If you have any questions concerning the operations of the Guam Public Utilities Commission, please let us know.

Respectfully submitted,

Jeffrey C. Johnson
Chairman

Enclosure: Attachment A

Attachment A
Significant Regulatory Action – FY2020

Guam Power Authority

Date	*Docket*	*Action*
10/31/19	GPA 19-13	GPA petitioned the PUC for approval of the Energy Conversion Agreement ["ECA"] with Korean Electric Power Company ["KEPCO") for the 198MW Power Plant. The PUC had previously authorized GPA to procure an Independent Power Producer who would be responsible for the construction, implementation, and commissioning of the 198MW power plant. KEPCO was selected by GPA to construct and operate the power plant. Before the PUC for consideration was the ECA between KEPCO and GPA, pursuant to which GPA would purchase from KEPCO the energy produced by the 198MW power plant. The PUC Consultant, Concentric Energy Advisors ["CEA"], determined that the proposed ECA conformed to best industry practices, would meet GPA's power needs, and would be environmentally compliant with USEPA requirements. CEA determined that the proposed cost of building and operating the plant was reasonable. Significantly, the new power plant would support at least 100MW of renewable energy which GPA had already proposed to add to the power system. The Administrative Law Judge stated that the power produced by the new power plant was needed because of the loss of 78MW of baseload generating capacity resulting from the explosion of Cabras plants No. 3 & No. 4. The Commission had previously determined that neither LNG fuel nor renewable energy were viable alternatives to the new fossil fuel base load generation produced by the new power plant. KEPCO had submitted the lowest qualified bid for the power plant with a twenty-five-year net present value of $3.1 billion, which included the total fuel costs that GPA would supply the plant over the twenty-five-year period. The best, currently available information indicated that the ECA would not result in an adverse rate impact. It was anticipated that reductions in fuel

cost resulting from the new power plant would offset other costs resulting from the construction and operation of the plant. Furthermore, GPA was required to enter the ECA with KEPCO as a result of the consent decree negotiations between the United States Environmental Protection Agency ["USEPA"] and GPA. GPA had already conducted many studies on whether the new plant was needed and whether a solar plant was a viable alternative to the new powerplant. There was no justification for any further delay. The ALJ recommended that the PUC approve the new powerplant and the ECA. The Chairman then addressed the contention of opponents of the ECA that the PUC should implement more renewable energy instead of the proposed plant. He discussed various jurisdictions, including American Samoa, Palau, Puerto Rico, Georgetown Texas, and the Hawaiian Island of Kawaii, and their efforts to implement solar energy. In each jurisdiction, solar power alone was not adequate to supply the power needs of the residents, and the cost of the solar power was extremely high in each jurisdiction. The Chairman concluded that, at the present time, Guam must rely on traditional fossil fuel-based generation facilities while it builds up its renewable energy resources over time. GPA General Manager John Benavente stated that, even with battery storage, which is expensive, solar energy would not be a reliable alternative to the new power plant and the ECA. A consultant for GPA, Matt Marson, a Washington DC based attorney, indicated that if there were any delays in PUC approval of the ECA, the USEPA would probably file a complaint against GPA for violation of the Consent Decree. The USEPA fines could range between $350M to $600M. Marson confirmed that the new power plant would satisfy USEPA's emission requirements despite using fossil fuel. The ALJ stated that there were provisions in the ECA to prevent KEPCO from delaying the completion of the new power plant, including equity retention requirements and a $3M bid guaranty paid by KEPCO until it reaches financial closure on the project. Another $63.8M would be maintained as security for the project for the duration

		of the construction. The PUC unanimously approved the construction of the new power plant and authorized GPA to enter the ECA.
12/05/18	GPA 20-01	GPA requested that the PUC approve the GPA Consent Decree with the U.S. Environmental Protection Agency ["USEPA"]. The USEPA had alleged that the emissions of GPA's Cabras Units and Piti Units No. 8 & 9 were in violation of various federal environmental laws. GPA and USEPA had been in negotiations to resolve these violations; the negotiations had resulted in the Consent Decree. The Decree required GPA to pay a civil penalty of $400,000 and to construct a 198MW power plant that burns ultra-low sulfur diesel fuel ["ULSD"]. The Decree further required GPA to build 100MW of additional solar power, to close certain plants, and to convert the Cabras Units and Piti Units No. 8 & 9 to Ultra Low Sulfur Diesel. The ALJ recommended that the Commission approve the Consent Decree because further environmental litigation would be risky and expensive; compliance would improve Guam's air quality and increase the amount of renewable energy in the island-wide power system. Furthermore, the $400,000 penalty was relatively low compared to those imposed in other jurisdictions. The PUC unanimously approved an Order authorizing GPA to enter the Consent Decree.
01/30/20	GPA 20-04	GPA's Petition sought PUC approval of the procurement of a Performance Management Contractor for Cabras No. 1 & 2 plants. A "PMC" is a contractor that assists GPA with many aspects of plant management and operation. Legal Counsel indicated that this procurement for a PMC was similar to solicitations since the 1990s for the Cabras and other plants. Under the current proposed contract, the PMC would be required to deactivate and decommission the Cabras No. 1 & 2 plants as soon as GPA's new northern power plant becomes operational. The operations and maintenance budget for the PMC would be $1.3M per year. GM Benavente indicated that the initial term of the contract would be for thirty-six months, with two renewal periods of one year each. GPA would come back to the Commission for

		approval of the final contract. The PUC unanimously approved GPA's solicitation for a PMC for Cabras No. 1 & 2.
01/30/20	GPA 20-03	GPA proposed that the PUC reduce the LEAC Factor from 15.42 cents per kWh to 13.1 cents per kWh for all meters read after February 1, 2020. The ALJ indicated that, for the last 3 LEAC periods, the rate had remained steady at 15.42 cents per kWh. GPA was also requesting that $1.5 million be allocated from LEAC funds every six months to fund the Demand Side Management Program ["DSM"], or a total of $3M per year. The Program encourages ratepayers to use more energy efficient appliances to reduce GPA's demand for fuel. GPA submitted an updated five-day fuel average which would result in a 13.1 Factor without the demand side management program. The ALJ recommended that the Commission approve the 13.4 cent per KW LEAC Factor, which included funding of $1.5M for the DSM Program. The proposed rate was an 12.82% decrease in the existing LEAC Factor. The Commission unanimously approved GPA's petition to reduce its LEAC Factor from 15.42 cents per KW to 13.4 cents per KW for all meters read after February 1, 2020.
02/27/20	GPA 20-07	GPA petitioned the PUC for approval of the Procurement for Supply of Diesel Fuel Oil. GPA sought to solicit a contract to supply between two to three million gallons of Diesel Fuel Oil No. 2 for GPA's Tenjo Vista Power Plant. The solicitation was for a contract with an initial term of three years, commencing on June 1, 2020 and ending on May 12, 2023, with two options to extend the contract for one-year periods. GPA estimates that the cost of the contract would exceed the $1.5 million review threshold. GPA will return to the Commission for approval of the contract for option periods. Counsel recommended that the PUC approve the Procurement, as it was reasonable, prudent, and necessary. The PUC unanimously authorized the Procurement.
02/27/20	GPA 20-08	Before the PUC was GPA's Petition to Exercise Extension Option for the Contract with Isla Petroleum and Energy, LLC, for the Management, Operation and Maintenance of GPA's Fuel Bulk Storage Facility.

		Counsel indicated that the contract had an initial term of two years with three options to extend the contract for one-year periods. The initial term of the contract expired on September 30, 2019. The Commission previously approved the first option to renew the contract for one year, expiring on September 30, 2020. GPA requested that the Commission approve the exercise of the second and third options to extend the contract to September 30, 2022. The estimated cost for the second extension is $885,108.88 and $911,662.13 for the cost of the third extension period. The total cost for these two extensions is $1,796,771.01. Counsel determined than the gradual price increase for the two terms was reasonable, and that approving the extensions was prudent because Isla Petroleum and Energy, LLC, was doing a good job operating the facility. He recommended that the Commission approve the request. The Commission unanimously approved the Exercise of the Extension Option under the Contract with Isla Petroleum and Energy, LLC.
03/26/20	GPA 20-11	GPA sought PUC approval for the Procurement of Residual Fuel Oil No. 6 for the Baseload Power Generating Plants. Counsel stated that this procurement was for Fuel Oil No. 6, primarily for the Cabras plants. There is an existing contract with Mobil Oil Guam with an initial two-year term that expires on August 31, 2020. Mobil Oil declined to proceed with the first extension. GPA sought authorization to solicit for a new contract. The solicitation uses the multi-step bid process, and the draft contact contains standard clauses protecting GPA and ratepayers (quantity and quality assurances, security of supply, responsibilities of the parties, force majeure clause, and default and termination for convenience clauses). The minimum range of fuel to be provided under the new contract would be 2 million to a maximum of 3 million barrels. Counsel recommended that the PUC approve the solicitation. The PUC unanimously approved the solicitation.
03/26/20	GPA 20-12	GPA's Petition sought to establish an interim LEAC factor. The PUC had previously approved a LEAC factor for the period between February and July 2020 at $0.134474 per kWh. GPA now requested that the

		Commission reduce the LEAC factor from $0.134474 to $0.110039 per kWh, resulting in an almost 2.5 cent reduction per kWh. GPA's Petition indicated that there had been a drop in fuel price per barrel from $55.47 on February 20 to $51.75 on March 20, with a projected price for April 20 of $37.62. The ALJ proposed that the PUC keep this matter open for possible subsequent reductions of fuel oil prices. The PUC unanimously approved the reduction in the LEAC factor to $0.110039 per kWh.
05/28/20	GPA 20-06	GPA petitioned the PUC to approve the Zeroing Out of Net Metering Annual Excess Credits. In December 2015, the PUC had amended the net metering rider to allow customers to rollover annual credits indefinitely or request a cash payment for the excess credits remaining on their account. The proposed amendment of the net metering rider would zero out any excess net metering credits annually. The ALJ found that GPA's request was in line with various jurisdictions in the United States and recommended that PUC allow GPA to implement this revision to the net metering rider on January 1, 2021. The PUC, by a vote of 6-1 approved GPA's request to zero out excess net metering credits at the end of the year.
05/28/20	GPA 20-05	GPA petitioned the PUC to use Levelized Energy Adjustment Clause ["LEAC"] Funds to pay for the Costs of the GPA Demand Side Management ["DSM"] Programs. GPA sought to create a permanent funding source for the DSM program through LEAC. The DSM Program attempts to encourage ratepayers to use energy efficient products such as air-conditioners and washer/dryer. The Program will also fund energy audits for ratepayers. The intent is for GPA to fund $1.5M for DSM, in every 6-month LEAC period, with an initial charge of $0.003 per kWh added to LEAC. Funding through LEAC will provide at flexible means of expanding the DSM program. It is estimated that GPA's $3 million in DSM has netted $21M in savings over 7 years. The PUC, by a vote of 6-1 approved the funding of the DSM program through LEAC.
05/28/20	GPA 20-12	Further review of the LEAC Factor was required by the PUC in its Order dated March 26, 2020. The PUC considered whether the LEAC factor should be further

		reduced. The ALJ cited fuel oil price figures indicating that, during this six-month LEAC period, there had been a 50% drop in fuel prices. The ALJ recommended that, for the final two months of this LEAC period, it was important to lower the LEAC even further. The ALJ recommended a reduction in the LEAC factor to $0.086800 per kWh for meters read on or after June 1, 2020. At the PUC July 2020 meeting, the PUC would again set the LEAC Factor for the next six-month period. The PUC unanimously approved the reduction of the LEAC Factor from roughly $0.11 cents per kWh to $0.086800 per kWh for meters read on or after June 1, 2020. This Factor would remain in effect for the months of June and July; the PUC would then determine the proper LEAC Factor for the next six-month period at its July meeting.
06/25/20	GPA 20-14	The PUC considered GPA's Petition for Approval of Procurement for the Aggreko Performance Management Contract (PMC). Counsel indicated that the Aggreko Plant was installed after the explosion of the Cabras No. 3 & 4 plants. GPA relies upon the Aggreko Plant's 40MW of generating capacity, along with Cabras No. 1 & 2, to prevent rolling blackouts and to provide sufficient power to Guam. The PMC model has been used by GPA since the 1990s as the model for its generating plants whereby the contractor will manage the plant and use GPA personnel to operate it. Counsel recommends PUC approval for the solicitation to obtain a PMC for the Aggreko plant. The plant's annual operation and maintenance cost is about $1,350,000.00 per year. GPA GM Benavente indicated that operating the Aggreko plant through a PMC would prevent procurement protests and delays that would otherwise result if GPA had to operate and procure equipment for the plant itself. The PUC approved the solicitation for a PMC for the Aggreko plant by a vote of 6-1.
07/30/20	GPA 20-15	GPA petitioned the PUC to approve the Award of a Performance Management Contract [PMC] for the Cabras No. 1 & 2 Generating Plants to Taiwan Electrical and Mechanical Engineering Services [TEMES]. This contract would commence on October 1, 2020 and end on September 30, 2023 with two 1-year

		options to renew. GPA must continue to operate Cabras No. 1 & 2 to maintain sufficient generating capacity for the island-wide power system until the new 198-megawatt power plant project is completed. The contract cost for the 3-year initial term is $9,969,000, with almost $6 million of that amount being for management fees to TEMES and $4 million for the O&M budget. TEMES has been the PMC for Cabras No. 1 & 2 for the past 10 years, so it is very experienced with GPA's power system. GPA indicated that the PMC was needed because the Cabras plants are 46 years old; GPA must operate them for another 3 to 5 years, and TEMES was the only bidder. The PUC approved the award of the PMC to TEMES for the Cabras No. 1 & 2 plants by a vote 5-1.
07/30/20	GPA 20-17	GPA requested that PUC approve the Contract for Residual Fuel Oil No. 6 for the Baseload Power Generating Plants. GPA had received three bids in response to the solicitation. It awarded the contract to Hyundai Corporation subject to PUC approval. GPA expects to use 2 million barrels of residual fuel oil per year for the first 2 years of the contract but would reduce that amount to 1-1.5 million barrels in the third year. The contract cost is approximately $276M for the three-year initial contract term. Legal Counsel found the contract to be reasonable, prudent, and necessary, and recommended that the Commissioners approve it. The PUC unanimously approved the Contract for Residual Fuel Oil No. 6 with Hyundai Corporation for the Baseload Power Generating Plants.
07/30/20	GPA 20-13	GPA's LEAC Filing requested that the PUC increase the current rate of $0.086800 per kWh to $0.1145 cents per kWh for the next six-month LEAC period. GPA and the ALJ had concurred that a factor of $0.10026 would be the appropriate LEAC Factor for the next period due to the increasing cost of fuel prices. If the PUC left the LEAC factor at $0.086800 per kWh, GPA's current fuel under-recovery balance of $3.25M would rise to almost $17M by the end of the LEAC period in January 2021. The ALJ did not recommend leaving the LEAC factor at 8.6 cents per kWh. He recommended that the Commission adopt a 50% recovery at the rate of 10.0026 cents per kWh. He stated that if the PUC

		did not raise the LEAC Factor now, subsequent rate increases would be required to recover such under-recovery from the ratepayers. Various Commissioners were concerned about the effect that an increased LEAC Factor would have on ratepayers who were adversely impacted by the dire straits that the economy was presently in because of the COVID-19 pandemic. Raising the power rates now could have an adverse psychological impact on the Island. Many people had lost their jobs and others were receiving unemployment insurance. The Commissioners unanimously concurred in keeping the current LEAC Factor at 8.6 cents per kWh for the next six months.
09/24/20	GPA 20-18	GPA petitioned the PUC for a one-month extension of its Fuel Oil Contract with Mobil Oil Guam for the Baseload Generating Plants. The Mobil Oil Guam contract was originally set to expire on August 31, 2020. As a result of a procurement, a new supplier, Hyundai Corporation, was scheduled to begin fuel deliveries on September 1, 2020. However, both Mobil Oil and Hyundai agreed that Hyundai would need additional time to make supply arrangements for the ships that would carry the fuel until a new commencement date of October 1, 2020. Since the PUC did not meet in August, the Chairman exercised emergency provisions of 12 GCA § 12105(b) to act on behalf on the Commission and approve the one-month extension to avoid loss of fuel supply to GPA's baseload generators. All Commissioners were contacted concerning this matter. GPA now requested that the Commissioners ratify the act of the Chairman in approving the one-month extension. The PUC unanimously ratified the Chairman's approval of the one-month extension of the Mobil Oil Guam contract for supply of RFO 6 for the Baseload Generating Plants.
09/24/20	GPA 20-19	GPA asked the PUC to approve its FY2021 Capital Improvement Projects Ceiling Cap. GPA files its CIP Ceiling Cap request each fiscal year before November 15. This year's requested cap was $21,561,155. The main projects are overhauls for Cabras No. 1 & 2, and for Piti No. 7. GPA's requested ceiling cap for FY2021 appeared to be consistent with the caps established by

		GPA for prior fiscal years. The ALJ report noted that the amount indicated is only a "cap", but that often GPA does not expend a substantial portion of the funds included in the cap. The PUC unanimously approved the FY2021 CIP Ceiling Cap of $21,561,155.
09/24/20	GPA 20-16	GPA requested PUC authorization to retire Piti Plants No. 8 & 9 upon the commissioning of the new 198-megawatt plant that is anticipated to be completed in the first quarter of 2023. The ALJ indicated that on April 4, 2020, the U.S. District Court of Guam signed a consent decree which required GPA to convert the Piti No. 8 & 9 plants to ultra-low sulfur diesel and set forth a detailed timeline for the accomplishment of such fuel conversion. The ALJ raised the issue of whether the PUC should approve retirement of the plants when the Consent Decree had not been changed to authorize such retirement. In his view, it was premature for the Commission to take any action until GPA exhausted its remedies under the consent decree and obtained an agreement from USEPA and the Department of Justice that it could retire the Piti plants. If there was such agreement, GPA could come back to the PUC and request modification at that time. Commission action to approve GPA's petition could be viewed as a violation of the Federal District Court Consent Decree. As to the second matter raised in GPA's petition, GPA had not provided any information to justify the acquisition of 60 megawatts of solar PV and an energy storage system. No information was provided on the nature of that project. For the foregoing reasons, the ALJ recommended that the PUC deny the petition and that such denial would not preclude GPA from refiling the petition to later bring the matter before the PUC. The Commission denied GPA's Petition to retire the Piti plants and to acquire 60 megawatts of solar PV by a vote of 5-1.

Guam Waterworks Authority

Date	*Docket*	*Action*
01/30/20	GWA 20-01	GWA petitioned the PUC for Approval of the 1-Year Contract Extension with JMI-Edison for the Purchase of Submersible Pumps and Motors Inventory for Deep

		Wells. Legal Counsel indicated that GWA was attempting to exercise the last 1-year extension option of the Contract. GWA requested to purchase an additional $736,866.00 worth of pumps and motors during the final option period, which would increase the total contract price to $2.6M. Counsel stated that GWA had submitted adequate justification for its petition and he recommended that the Commission approve GWA's exercise of the contract's final 1-year option and GWA's request to purchase the additional pumps and motors during this option period. The PUC unanimously approved GWA's Petition for the Approval of One-Year Contract Extension with JMI-Edison for the Purchase of Submersible Pumps and Motors Inventory for Deep Wells.
01/30/20	GWA 20-02	GWA petitioned PUC for Approval of a Groundwater Production and Meter Replacement Project. GWA developed this project to replace the pipes that preceded and followed its production meters. Only one bid was received from Giant Construction for $1,379,405. The ALJ found that the contract contained appropriate provisions, and he recommended that Commission approve the contract for this project to allow GWA to accurately measure the ground water that is produced from GWA's wells. The PUC unanimously approved the Contract with Giant Construction for a Groundwater Production and Meter Replacement Project.
02/19/20	GWA 19-08	This Special Meeting was called for a presentation in GWA Docket 19-08, In Re: Petition for Approval of GWA's Third Five-Year Financial Plan. This Docket involves a water and wastewater rate case where GWA initially sought to raise rates by 44% over five years. A presentation was made by GWA and PUC Consultant Georgetown Consulting Group ["GCG"] on the Proposed Stipulation between the Parties to resolve the GWA Water Rate Case. The work session was called for the purpose of providing Guam PUC Commissioners an opportunity to question GWA and GCG concerning the Proposed Stipulation and the Rate Case.
02/27/20	GWA 19-08	This Rate Case matter came before the PUC upon the request of the parties, GWA and PUC Consultant

		Georgetown Consulting Group ["GCG"], to resolve the case through a joint stipulation. The ALJ stated that the parties had entered a Stipulation after lengthy negotiations between the parties. The case took approximately seven months to resolve. There will be a 5% increase in rates for 2020 and a 5% increase in rates for 2021. Subsequent proceedings will resolve whether there will be additional rate increases for 2022-2024. GWA's original Petition had requested an increase of 44% in rates over five years. The PUC determined that the stipulated 5% rate increases for 2020 and 2021 were "just and reasonable." GWA agreed to implement a comprehensive systemwide water loss reduction program. A water loss reduction plan, including annual loss reduction targets, will be completed, and submitted by March 31, 2020. In FY2020-2021, GWA agreed that it would include water loss reduction spending of no less than $14M. GWA also agreed that it would undertake water loss measures to reduce water loss by 20% over the five-year period from FY2020 through 2024. The PUC approved the proposal of the parties to establish a debt service coverage ratio of 1.40x debt service coverage as "one standard." GWA agreed to perform several studies which will enable the parties to assess appropriate rates for years 2022-2024. These include implementation of a Water Loss Reduction Program, the current Capital Financing Process for the appropriate debt service coverage ratio, the Revenue Bond Debt Structure, Demand Forecasting, Cost of Service/Rate Design, and Affordability Study, and others. After the various studies are completed, and the parties will again conduct meetings and conferences to address issues, and rates will be then recommended to the PUC for years 2022-2024. Based upon the negotiations of the parties, the ALJ recommended that the PUC not award "compression" for the 2020 and 2021 rate increases. The PUC approved the GWA/GCG Stipulation effective March 1, 2020, and the attendant rate increases of the 5% each for FY2020 and FY2021.
02/27/20	GWA 19-08	Both GWA and GCG had approved an "Accounting Order" which would allow GWA to pay for the

		studies required by the rate stipulation using its Working Capital fund. The amounts paid for such studies would be amortized and paid back to GWA's Working Capital fund over a period of 5 years. The PUC unanimously approved the Accounting Order.
03/26/20	GWA 20-04	GWA petitioned the PUC for Approval of the Contract with Red Rock Consulting PTY Ltd. for the Upgrade of GWA's Enterprise Resource Planning System. Counsel stated that GWA's existing software is 22 years old and is one version behind the current version. GWA's employees must develop and use manual work around applications to perform tasks and create reports on its outdated software. GWA seeks to migrate its existing ERP software to a new modern browser-based digital platform called JDE (E1). Oracle is the only company offering the JDE (E1) software and DXC Red Rock is the only contractor with the proprietary rebuilt JDE (E1) configuration information plan featuring engineering construction in the Western Pacific Region. The cost of the contract will be $5,286,305.00. Such cost is reasonable because the typical cost for an average mid-size business software upgrade is between 3% to 7% of its annual revenue. In this case, the contract cost is in the lower-middle of this range. GWA is not only upgrading its existing Oracle licenses; it is purchasing additional licenses, support infrastructure, and professional services. Counsel stated that GWA's use of sole source procurement to acquire this contract was prudent because no other digital platform or software system will be suitable or acceptable to meet its needs; the use of any other software product would likely result in licensure and development implementation costs that are significantly higher than the upgrade of its existing software with the JDE (E1) digital platform. Commissioners raised some issues concerning the necessity or propriety of using the sole source procurement process. The PUC did not approve the contract with Red Rock Consulting PTY Ltd. for the Upgrade of GWA's Enterprise Resource Planning System, with a vote of only 3 in favor and 2 against.
03/26/20	GWA 20-03	GWA requested PUC Approval for the Issuance and Sale of GWA Water & Wastewater System Revenue

		Bonds, and for approval of the Associated Bond Documents. The ALJ indicated that GWA's contract review protocol requires that any matter involving bonds, or the use of bond funds, must be approved by the Commission. GWA still has Legislative Authorization, pursuant to Public Laws 28-71, 31-45, and 32-69, to issue up to $134M in bonds. GWA seeks to issue $134M in bonds to use on court ordered projects that were previously authorized by the Legislature. GWA is also asking to refund 2013 series bonds to obtain certain bond savings. After the court ordered projects are completed, there is an additional $12M amount for GWA's water loss programs which is required by the Commission's Order in the GWA Rate Case. There is another $13M for environmental safety, compliant system capacity, operational efficiency, and other requirements. The CCU and GEDA have approved the issuance of additional bonds and the refunding of the 2013 bonds. PUC Consultant GCG indicates that the refunding of bonds is estimated to result in gross savings of $15.3M. GCG recommends that the PUC approve the bond refunding. The ALJ also recommended that the PUC approve GWA 's petition and the new bond indenture, which is the 7th Supplemental Indenture. The ALJ further indicated that GWA must obtain the Commission's approval for the projects listed and for any use of excess bond proceeds. The PUC approved the issuance and sale by GWA of $134M in Water & Waste-Water System Revenue Bonds, the refunding of the 2013 bonds, and the Bond Documents, by a vote of 4 to 1.
05/28/20	GWA 20-04	GWA again petitioned the PUC for Approval of the Contract with Red Rock Consulting PTY Ltd. for the Upgrade of GWA's Enterprise Resource Planning System. Although the PUC had previously denied this Petition, Legal Counsel indicated that PUC had the power to reconsider this matter. The PUC moved to approve reconsideration of this matter by a unanimous vote.
06/25/2020	GWA 20-04	This matter came before the PUC upon GWA's continued request for Approval of the Contract with Red Rock Consulting PTY Ltd. for the Upgrade of

		GWA's Enterprise Resource Planning System. PUC Counsel reported on new developments concerning GWA's proposed Contract with Red Rock Consulting PTY Ltd. for the Upgrade of GWA's Enterprise Resource Planning System. PUC Commissioners had previously requested whether GWA and the Port Authority could seek upgrades of their systems together to obtain a discount. GWA has determined that it is not feasible to join the Port Authority of Guam in the procurement of a similar Enterprise Resource Planning System. The Port is obtaining its system only for financial management software and it is not the same package that GWA is obtaining. GWA will try to get a similar discount as PAG did. GWA GM Bordallo indicated that GWA's 20-year-old system needs to be replaced. The system it seeks to obtain is the most economical and will increase GWA's capability. GWA Assistant GM Budasi indicated Red Rock did provide a discount of 2.5% on the Oracle pricing. Mr. Budasi also indicated that a prior consultant of GWA had determined that GWA would obtain greater savings by doing an upgrade of a JD1 system instead of purchasing licenses for a new system, and that it would be quicker and faster for GWA employees to learn that upgrade instead of a new system. With a new system, GWA would have to undergo a costly historical data migration. GWA received pricing for a new system that would be almost one million dollars higher than doing the upgrade. GWA evaluated another system, SAP, which would involve higher licensing costs. The PUC approved the Contract between GWA and Red Rock Consulting PTY Ltd. for the Upgrade of GWA's Enterprise Resource Planning System, with an amendment to reflect the discounted price as to what GWA is going to pay under the Contract.
06/25/20	GWA 20-06	GWA petitioned the PUC for Approval of the Use of 2020A Bond Proceeds. According to the ALJ, GWA originally estimated that it would receive approximately \$109M in net proceeds from the bond issuance; however, in fact GWA received approximately \$123M in net proceeds. There is an additional \$14,664,270.00 available for capital

improvement projects. The PUC is required to approve in advance any use of such additional bond funds. Bond funds must be used for approved bond projects, and the PUC had previously approved a list of bond projects. The GWA Petition requests that PUC approve the use of additional bond funds for some of the previously approved projects. GWA seeks to use the additional bond funds instead of revenue funds that previously were to be used for such projects. The main projects involved are a water system reservoir project for $71M, a deep well rehabilitation project for about $12M, water well improvements of over $10M, and a water distribution system of almost $10M. GWA has moved up the funding of these projects for 2020 and 2021. The ALJ found that GWA's allocation of funds for these projects was reasonable, and he recommended that the PUC approve the use of the additional $14,664,270.00 in bond funds in accordance with GWA's requested allocations. GWA GM Bordallo indicated that the receipt of an additional $14M in bond funds means that these funds can be used on capital improvement projects, thus reducing the amount of revenue funds that GWA had planned to use for those projects. The PUC approved GWA's Petition for Approval of the use of an additional $14,664,270.00 in 2020A Bond Proceeds by an affirmative vote of 6 to 1.

Port Authority of Guam

Date	*Docket*	*Action*
10/31/19	PAG 20-01	Before the PUC for consideration was the Petition of Port Authority of Guam [PAG] to Approve the Contract for Architectural/Engineering Design and Consulting Services for the Structural Repair of Golf Pier. Counsel indicated that PAG's Petition concerned the EQMR Warehouse No. 1 and the Waterline. The foregoing structures are two of PAG's principal buildings which were built in 1968. The Waterline Replacement project entails replacing PAG's 10-inch and 16-inch waterlines. These lines not only provide water to PAG but are also connected to the fire

		suppression systems of the PAG buildings, pier, and container yard. PAG had awarded the contract for the A/E Design and Consulting Services for these projects to Macario & Associates. The contract price is $1.4M. M&A will need to complete an investigation phase to determine what structural repairs and renovations would be required for each of these projects. It would then complete a design phase in which it develops the design and cost estimates for each project. It would then complete a building phase in which it would assist PAG in soliciting for and obtaining a contractor to complete the projects. Counsel recommended that the Commission approve the contract as it was reasonable, prudent, and necessary. The PUC unanimously approved the Contract with Macario & Associates for A/E Design and Consulting Services for the Structural Repair of Golf Pier.
12/05/19	PAG 20-02	PAG petitioned the PUC for Approval of PAG Insurance Coverage Contract for FY2020. The ALJ stated that the PUC had previously approved PAG's contract for property, liability, and auto insurance with AM Insurance for $2.372M in 2017, PAG Docket 18-01. Since 2017, the contract's insurance premium has grown to $2.970M, which exceeded the amount the PUC previously approved. For FY2020, PAG requested approval of a premium of $2,970,043.48. The PAG Bond Indenture requires PAG to maintain insurance on its assets; AM Insurance believes that the contract's insurance premiums will rise again because the market is generally increasing insurance premiums for Guam insured assets. The reason is that Guam is exposed to natural catastrophes, typhoon, and storm activity, which has increased in this region in recent years. There has also been a decrease in insurance syndicates that are willing to insure marine risks. PAG's Contract Review Protocol allows for a 10% cost contingency for the insurance contract, which means that PAG may incur additional costs up to $1.186M per year, but no more than $13M over five years. The increase in insurance premiums for the Contract is in line with increases in global market rates; the ALJ recommended that the Commission authorize up to $2,970,043.48 for FY2020 Insurance Contract, and that

		PAG be required to return to the Commission when it receives notice of its insurance premium cost for FY2021. The PUC unanimously approved PAG's Petition for Approval of Insurance Coverage Contract in an amount of $2,970,043.48 for FY2020.
01/30/20	PAG 20-03	PAG petitioned the PUC for Approval of Additional Expenditures for existing Owners/Agent Engineering (OAE) Services, and for Expenditure for Additional Services. Counsel indicated that this project had an initial term of one year with four options to renew for periods of one year. PAG was requested authorization to exercise the final one-year option, and to expend an additional sum of $1,574,035 for two sets of projects which would increase the total contract cost to $4.5M. The first set of project costs was $774,035, which was for environmental permitting, live coral removal, relocation, and monitoring for PAG's H-Wharf maintenance and repair project. The cost of the second set of projects was $800,000 and was for program management coordination and development of a 2020 masterplan, the customs inspection feasibility study, and conceptual planning and development of a scope of work for architect and engineer design. The contract extension and additional $1,574,035 for two sets of projects was reasonable, prudent, and necessary; Counsel recommended that the PUC approve them. PAG GM Respicio stated that the coral relocation project would take approximately 4 weeks to remove and relocate about 830 live coral colonies from H-Wharf. The PUC unanimously approved PAG's Petition for Approval of Additional Expenditure for existing Owners/Agent Engineering (OAE) Services, and for Expenditure for Additional Services.
05/28/20	PAG 20-04	Before the PUC was the PAG Petition for Approval of JDE Enterprise One Financial Management System Upgrade. The ALJ stated that PAG requested PUC approval to expend bond funds to upgrade its financial management system from Oracle's JD Edwards World to Oracle's JD Edwards Enterprise 1 Software and Technology Systems. PAG has been

		using JD Edwards World since 1999, and this system provides general accounting, human resources, payroll, budget, accounts receivable and payroll, procurement, inventory work orders, and fixed asset capabilities software. PAG's current system will reach its end of life by 2022. The JDE upgrade will include full date migration, clouds database licensing, on-premises database licensing and support, disaster recovery hardware and support, a skills workshop, a continuous application management help desk, and training. The cost for the upgrade is $2,140,246.40, which PAG will pay over the course of 3 years. PAG's procurement of the JDE upgrade is a sole source procurement authorized by the 5 GCA § 5214. The JDE upgrade is the only compatible financial software that will migrate seamlessly. PAG negotiated a $75,000 reduction from the JDE upgrade's original price. The JDE upgrade is reasonable, prudent, and necessary, and the ALJ recommended that the PUC approve the Petition. PAG CFO Jojo Guevara stated that PAG's market research concluded that it would cost $2.7M to $5.6M to migrate to a new system, which would be a much higher cost than the JDE upgrade. The PUC approved the PAG Petition for approval of JD Enterprise One Financial Management System Upgrade, at a cost of $2,140,246.40, by a vote of 5 to 2.
07/30/20	PAG 20-05	PAG petitioned the PUC for Approval of Additional $800,000.00 for PAG Owner's Agent Engineer Services. The ALJ indicated that PAG requested approval of an additional $800,000.00 for the contract which it currently has with WSP USA. That contract was approved by the PUC in 2015 and involves professional services for design and engineering work, financial consulting, and assistance with program management for PAG's projects. In February of this year, PAG applied for and was awarded an additional $800,000.00 in federal grant funding which extends WSP's services into calendar years 2020 and 2021 to implement PAG's modernization projects. These include the PAG 2020 masterplan, Wharf service life extensions, ship-to-shore crane program support, future tariff analysis, IT support, environmental programs, CIP program support, health and safety

programs, a deep draft wharf, a field improvement project feasibility study, cyber security, introduction of management reporting systems, and developmental resource conservation and recovery act contingency plan. The ALJ recognized that PAG would need the technical expertise and support of WSP. He recommended that PUC approve the $800,000.00 increase requested by PAG for the WSP contract. PAG GM Respicio indicated that this $800,000 in additional funding was coming from the federal Office of Economic Adjustment. The funds would be used to provide the necessary component to the 2020 masterplan. The PUC unanimously approved PAG's expenditure of an additional $800,000.00 for PAG Owner's Agent Engineer Services to be provided by WSP USA.

Guam Solid Waste Authority

Date	*Docket*	*Action*
05/28/20	GSWA 12-02	The Mayors of the Villages of Chalan Pago-Ordot and Inarajan petitioned the PUC for Approval of a Rate of Inflation Increase of the Host Community Premium. The Annual Host Community Premium Benefit is a financial compensation to the Villages for the detriment of hosting refuse collection facilities. The Mayors of these villages sought to increase the annual Host Community Premium from $150,000 each up to $175,000 each, which increase was alleged to be necessary to offset Guam's 15.78% inflation rate. The increase requested by the Mayors would result in an increase to residential ratepayers from $0.38 cents per month to $0.39 cents per month. For commercial ratepayers, the increase would be from $3.57 per ton up to $3.63 per ton. The ALJ recommended that the PUC deny the request because the current pandemic emergency has caused financial hardship on Guam's commercial and residential ratepayers, and GSWA was having difficulties collecting from its ratepayers under its current rates. Additional reasons for denial were: (1) PUC was currently auditing GSWA, and any increase in GSWA rates should be made after the audit is completed; (2) The Mayors' sole justification

for the rate increase was based upon the consumer price index, which is not applicable to trash collection services; (3) an audit must be done on the villages' use of the premium funds to ensure that they are only being used for statutorily authorized projects; and (4) The Mayors have offset the effects of rising inflation by investing the premium funds in securities that have generated significant interest. The Mayors claimed that the PUC should approve their petition because the rate increase was over-due since 2017 and that they filed their petition prior to the pandemic emergency. After hearing extensive testimony from the Mayors, the PUC Commissioners considered the economic hardships caused by the current pandemic emergency, and their desire to allow the Mayors to bring this issue before them again when the economy recovers. The PUC approved a motion to table this matter until the PUC audit of GSWA was completed, and until the Office of Public Accountability completes its Audit of the Mayors' offices, and the propriety of expenditures of HCP Funds pursuant to 10 GCA Article 4.

Telecommunications

Docomo Pacific Inc.

Date	*Docket*	*Action*
10/31/19	Docomo 19-01	The matter before the PUC was Docomo's Petition for Approval of its Interconnection Agreement with Teleguam Holdings, LLC. The ALJ stated that federal law requires the PUC to review a wireline interconnection agreement between telecom carriers. Docomo and Teleguam have negotiated this new agreement; it provides for reciprocal access and non-access arrangements between the parties which include both local and interstate communications. The proposed agreement has a term of 3 years, and the parties would interconnect via a fiber optic interface at an interconnection point. The ALJ further indicated that the interconnection agreement did not appear to

		discriminate against any carrier that was not a party to the agreement. The rates and pricing in the agreement were those previously approved by the Commission. The ALJ recommended that the Commission approve the interconnection agreement. By a unanimous vote, the PUC approved the Docomo-Teleguam Interconnection Agreement for a term of three years.
09/24/20	Docomo 20-01	The PUC issued its annual certification to the Federal Communications Commission and the Universal Services Administration Company that Docomo Pacific Inc., is eligible to receive federal high-cost support for program year 2021. PUC certified that Docomo Pacific Inc., used such support in the preceding calendar year and would use such support in the coming calendar year for the provisioning, maintenance and upgrading of facilities and services for which the support is intended, consistent in section 254(e) of the Communications Act.

Teleguam Holdings, LLC, dba GTA

Date	*Docket*	*Action*
09/24/20	GTA 20-01	The PUC issued its annual certification to the Federal Communications Commission and the Universal Services Administration Company that Teleguam Holdings LLC, is eligible to receive federal high-cost support for program year 2021. PUC certified that Teleguam Holdings LLC, used such support in the preceding calendar year and would use such support in the coming calendar year for the provisioning, maintenance and upgrading of facilities and services for which the support is intended, consistent in section 254(e) of the Communications Act.
9/24/20	GTA 20-02	The PUC issued its annual certification to the Federal Communications Commission and the Universal Services Administration Company that TeleGuam Holdings, LLC, f/k/a Pulse Holdings LLC, is eligible to receive federal high-cost support for program year 2021. PUC certified that TeleGuam Holdings, LLC, f/k/a Pulse Holdings LLC used such support in the preceding calendar year and would use such support

in the coming calendar year for the provisioning, maintenance and upgrading of facilities and services for which the support is intended, consistent in section 254(e) of the Communications Act.

PTI Pacifica Inc.

Date	*Docket*	*Action*
09/24/20	PTI 20-01	The PUC issued its annual certification to the Federal Communications Commission and the Universal Services Administration Company that PTI Pacifica Inc., is eligible to receive federal high-cost support for program year 2021. PUC certified that PTI Pacifica Inc. used such support in the preceding calendar year and would use such support in the coming calendar year for the provisioning, maintenance and upgrading of facilities and services for which the support is intended, consistent in section 254(e) of the Communications Act.

PUC Administrative Matters

Date	*Action*
12/05/19	The PUC, through PUC Resolution 20-01, commended Dr. Filomena M. Cantoria for her distinguished and exemplary service as a Commissioner of the Guam Public Utilities Commission. Her service extended for a period of 20 years.
02/27/20	The PUC approved its FY2019 PUC Annual Report.
05/28/20	The PUC extended its Contract for Administrative and Bookkeeping Services for an additional year.
07/30/20	The PUC completed its FY2019 Citizen Centric Report.
	The PUC authorized the hiring of a part-time Assistant for the PUC Administrator.
09/24/20	The PUC hired, as an employee, a part-time Assistant for the PUC Administrator through PUC Resolution 20-02.

PUC took action to establish an ACH or Wire Transfer capability for its Bank Accounts.

The PUC approved the FY2021 Administrative Budget/Annual Assessment Order.

The PUC decided that it would continue its Agreements with Eight PUC Consultants, consenting to the renewal of those Agreements for additional One Year Terms.

The PUC approved a one-year employment agreement for the PUC Administrator through Resolution 20-03.

The PUC hired the Sandford Technology Group to handle PUC payroll.

The ALJ advised the PUC that he and Administrator were continuing to update the PUC Website, and that the update was, for the most part, completed.