

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER:)
)
The Application of the Guam)
International Country Club for) **DOCKET 08-004**
Approval of Rates for Guam Residents.))
)
_____)

PUC COUNSEL REPORT CONCERNING RATE PROCEEDINGS

On September 9, 2008, the Guam International Country Club (“GICC”) petitioned the Guam Public Utilities Commission to increase golf rates and fees for Guam residents. ¹ The law defines GICC as a “public utility” and places it under the jurisdiction of the PUC: it is a “private golf course management corporation leasing public property providing preferential golf rates and reservations to Guam residents.” 12 GCA §12000 (a).

In November 1995, the Georgetown Consulting Group (“GCG”) and GICC entered into a stipulation, approved by PUC Order, which established initial green and cart fees, and other fees, for the golf course. The stipulation indicated that the method of determining future rate changes for the regulated rates for residents of Guam would be through surveying several municipal golf courses (panel members) in the United States to determine the average percentage increases in the equivalent fees for those courses. ² The original idea was that this percentage increase would be applied to the initially established fees at GICC on an annual basis.

¹ In 1988, Public Law 19-34 was enacted into law. Pursuant thereto, the Governor of Guam was authorized to lease certain publicly owned real property to Guam Municipal Golf Inc. for the purpose of constructing and managing a municipal golf facility, pursuant to the terms of the commercial lease agreement. In accordance with the public law, GICC is required to establish a schedule of fees and preferential course reservation periods to reasonably accommodate the demand of Guam residents for golf facilities. Guam resident rates must be comparable to rates charged in comparable municipal facilities in the mainland United States. For these purposes, tenant (GICC) is deemed a public utility, subject to regulation by the PUC. It is the PUC’s role “to insure affordable rates and adequate access” to the municipal golf course facilities by residents of Guam.

² Georgetown Consulting Group, Inc.’s submission of Jamshed K. Madan’s testimony, filed November 14, 2008.

1 Using this panel approach, the rates were subsequently increased twice, once in
2 1996 for weekday and weekend green fees, and again in 1997 with increases for green
3 fees and cart fees. Senior discount and twilight play discount were established in 1998.³

4 Thereafter in 1999, GCG and GICC entered into another stipulation that was
5 adopted by the PUC. The stipulation indicated that, in order to reduce administrative
6 costs, changes in green fees and cart fees could be established by a proxy method. The
7 “panel” methodology was time consuming, in that it required considerable effort to
8 contact all of the panel member courses in the United States. The alternative method for
9 determining appropriate fees involved the use of the Consumer Price Index “other
10 goods and services” as a benchmark. The annual percentage increase in the cost of such
11 other goods and services could be used as a benchmark to determine increases in green
12 fees and cart fees. The CPI methodology was approved by the PUC, but was subject to
13 a sunset provision of 60,000 residential rounds or 2005, whichever came first.
14 Residential play never met this limit, so the stipulation essentially expired in 2005.⁴

15 There has no been rate increases by GICC for its fees since 1997. In its rate filing,
16 GICC requested rate increases based upon its application of both the panel and CPI
17 Index methodologies. GICC used a new panel of members of 17 courses; GICC based
18 its requested rate increases upon the total percentage increase in green fees and cart fees
19 by the panel members for the period of time from 1997 to the present. As computed by
20 GICC, the increase was a 41% increase for weekdays and 48% for weekends (total green
21 and cart fees). The second method used was the CPI, for which there was a 42%
22 increase for the same period.⁵ In its Rate Petition, GICC sought to raise the total fees
23 (cart and green fees) for 18 holes from the current \$30 on weekdays to \$40, and from the
24 current \$35 on weekends to \$45, which represented increases of 33% and 29%
25 respectively.⁶ The proposed changes in rates requested by GICC are set forth in as
26 Exhibit “1” attached hereto.

27 ³ Georgetown Consulting Group, Inc.’s submission of Jamshed K. Madan’s
28 testimony, filed November 14, 2008.

⁴ Georgetown Consulting Group, Inc.’s submission of Jamshed K. Madan’s
testimony, filed November 14, 2008.

⁵ Georgetown Consulting Group, Inc.’s submission of Jamshed K. Madan’s
testimony, filed November 14, 2008.

⁶ Georgetown Consulting Group, Inc.’s submission of Jamshed K. Madan’s
testimony, filed November 14, 2008.

1 Initially, Georgetown opposed any increase in the green fees for GICC. In its
2 opinion, the panel survey showed that the current rates for green fees were appropriate.
3 However, with regard to cart fees, and certain ancillary items such as club rental, shoe
4 rental, driving range, etc., Georgetown did recommend an increase.⁷

5 A prehearing conference was held before the Administrative Law Judge on
6 December 16 at 10 a.m. At that time, the ALJ encouraged the parties to resolve their
7 differences and to attempt to work out a stipulation. The PUC subsequently caused due
8 notice of public hearings for central, northern and southern Guam to be published in
9 the Pacific Daily News on December 2, December 8, and December 12, 2008
10 respectively. GICC has given the proper notices required by law and notified its
11 customers of the proposed changes in rates.

12 A public hearing for central Guam on the rate petition was held on December 15,
13 2008 at 6:00 p.m. at the Suite 207 in the GCIC building in Hagatna. At that time the
14 parties appeared before the Administrative Law Judge David A. Mair and presented
15 their STIPULATION RE RATES AND AMENDMENT TO RATE METHODOLOGY, a
16 copy of which is attached hereto as Exhibit "2". Therein the parties reached a
17 compromise between GICC's original proposed rates and the counter-rates proposed by
18 GCG. The agreed upon rate increases are attached to the Stipulation as Exhibit "A". In
19 the stipulation, the parties also agreed that the previous methodologies used to
20 establish rates for GICC pursuant to Public Law 19-34 would no longer be valid. GICC
21 is to propose a new panel of members consistent with the requirements set forth in the
22 Public Law no later than one year from the date the stipulation is approved by the PUC,
23 or one hundred and twenty days (120 days) before GICC files any new rate petition,
24 whichever is sooner. GICC will propose a methodology using the newly determined
25 panel members to set forth appropriate rates.

26 There was no oral public testimony at the public hearing, and one member of the
27 public submitted written testimony.⁸ Subsequent public hearings were held at the
28 Social Hall in Piti and at the Senior Citizen Center in Dededo on December 16, 2008. No
public testimony was received at either hearing.

⁷ Georgetown Consulting Group, Inc.'s submission of Jamshed K. Madan's
testimony, filed November 14, 2008.

⁸ Testimony of Nicolas F. Borja; Mr. Borja objected to use of comparable rates from U.S. courses
and suggested the use of comparable courses in the Commonwealth of the Northern Marianas Islands.

1 After careful review of the record herein, the undersigned respectfully
2 recommends the following:

- 3 1. The PUC should approve the rate changes as agreed to by GICC and GCG
4 in their stipulation dated December 15, 2008. GICC has affirmatively
5 established, by a preponderance of the evidence, that a rate change is
6 necessary in accordance with 12 GCA §12004.
- 7 2. The rate changes agreed to by the parties in Exhibit "A" to their
8 Stipulation are just and reasonable and in conformance with public law.
- 9 3. GICC will be required to propose a new panel of members ("comparable
10 municipal facilities in the mainland United States") no later than one (1)
11 year from the date this Stipulation is approved by the PUC, or one-
12 hundred-twenty (120) days before the GICC files any new rate petition,
13 whichever is sooner. GICC should propose a methodology using the
14 newly determined panel members to set appropriate rates, and disclose all
15 data used to develop the panel and proposed rates as soon as possible, but
16 no later than when the proposed new panel is filed.
- 17 4. Either party should be able to petition the PUC for relief from the
18 stipulation for good cause.
- 19 5. GICC should pay for the Commission's expenses, including without
20 limitation, consulting and counsel fees and the expenses of conducting
21 and transcribing the hearing proceedings. Assessment of PUC's
22 regulatory fees and expenses is authorized pursuant to 12 GCA §§12002(b)
23 and 12024(b), and Rule 40 of the Rules of Practice and Procedure before
24 the Public Utilities Commission.

25 Dated this 24th day of December, 2008.

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