



**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

IN RE:           PETITION FOR TARIFF RATE           )           PAG DOCKET 11-01  
                  RELIEF BY THE PORT           )           ALJ REPORT  
                  AUTHORITY OF GUAM           )  
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**INTRODUCTION**

This matter comes before the Guam Public Utilities Commission (“PUC”) upon the filing of the December 30, 2010 Comprehensive Tariff Study (“Tariff Study”), prepared by The Cornell Group, Inc. (“Cornell”), on behalf of the Port Authority of Guam (“PAG”). The Tariff Study examines PAG’s tariff rates by providing a comprehensive review of PAG’s existing terminal tariff, as well as recommending modifications to the terminal tariff.

**DISCUSSION**

On April 18, 2011, Slater, Nakamura (“Slater-Nakamura”) submitted a draft Scope of Work that described the tasks and services involved in examining PAG’s Tariff Study and tariff rates, as well as cost estimates related to the study. On May 9, 2011, after discussing Slater-Nakamura’s draft Scope of Work with the PUC Chairman Jeffrey Johnson and PUC Legal Counsel Frederick Horecky, the Administrative Law Judge of the PUC (the “ALJ”) requested that the consultants reduce the number of labor hours indicated in the draft Scope of Work from 872 hours to 650 hours so as to reduce the costs associated with the PUC’s examination of PAG’s terminal tariff study. Thereafter, Slater-Nakamura submitted a revised Scope of Work. This new Scope of Work, which is attached hereto as “Exhibit A,” similarly outlines and

***ORIGINAL***

describes the tasks and services involved in examining PAG's terminal tariff study. In addition, the Scope of Work reflects a reduction from 872 to 626 labor hours to complete the project.


The Slater-Nakamura Scope of Work adequately sets forth the tasks required to examine PAG's existing terminal tariff, Cornell's Tariff Study, and PAG's proposed tariff. The ALJ finds that the projects indicated in the Scope of Work appear reasonable and necessary to complete a study of PAG's proposed terminal tariff. In addition, Slater-Nakamura's proposed cost estimate appears reasonable, especially given the comprehensive nature of these types of tariff studies. Accordingly, the ALJ recommends that the PUC approve Slater-Nakamura's Scope of Work.

#### **RECOMMENDATION**

For the reasons set forth above, the ALJ hereby recommends that the PUC approve the Slater-Nakamura Scope of Work, which is attached hereto as "Exhibit A." A draft Order is submitted herewith for the consideration of the Commissioners.

Dated this 17<sup>th</sup> day of June, 2011.

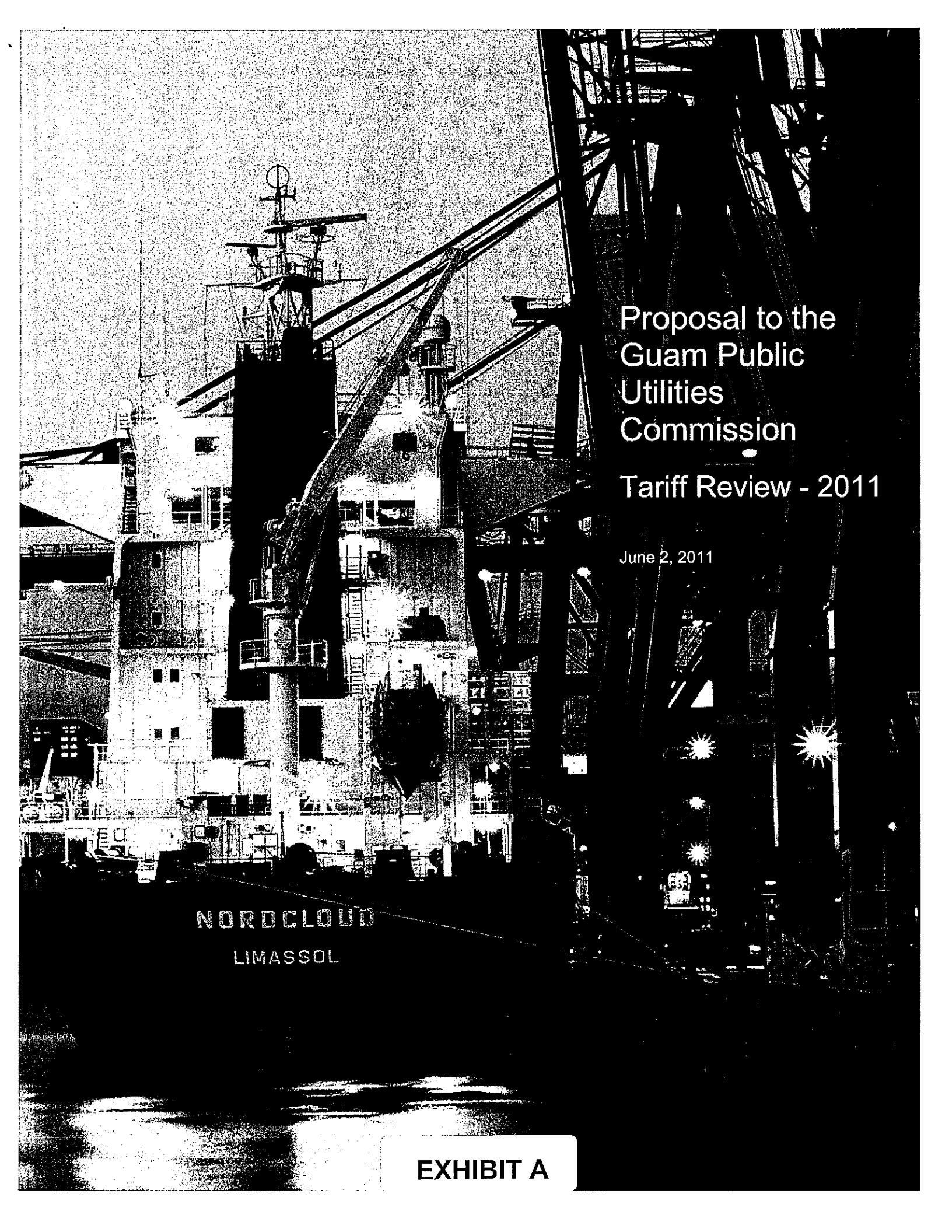
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**DAVID W. MAIR**  
Administrative Law Judge

P114063.JRA



Proposal to the  
Guam Public  
Utilities  
Commission

Tariff Review - 2011

June 2, 2011

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LIMASSOL

EXHIBIT A

**Statement of Work for Support to the Guam Public Utilities Commission in  
Reviewing the Tariff for the Port Authority of Guam**

**June 2, 2011**

**Submitted to:**

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Slater, Nakamura

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## 1.0 INTRODUCTION

The purpose of this document is to describe the tasks that we will execute in our role as the Guam Public Utilities Commission consultants for matters related to the tariff for the Port Authority of Guam.

Included in this document is a description of the Statement of Work, the estimated cost for providing these services and a preliminary time line.

### *Our Role in Supporting the Guam Public Utilities Commission*

Slater, Nakamura was retained by the Guam PUC to provide consulting services in the following areas:

- Consultation and advice on matters related to the Commission's duties as defined by Guam Public Law 30-52 ad 12 GCA §12000.
- Reviewing and providing recommendations concerning existing rates, charges and cost of services provided by the Port.
- Providing advice, as required, on the establishment or modifications of rates, charges and costs of services.
- Assisting the Commission in reviewing, evaluating and recommending actions to be taken by the Commission with regard to its regulatory oversight supervision of PAG.
- Acting as the consultant to the Commission for services related to the review of the PAG's financial records, accounting information and rate fillings.
- As requested, examining and reviewing any documents or information related to the PAG rate proceedings or other regulatory matters including information submitted by PAG as part of their standard filling requirements in applications for changes to rates. This may include PAG revenue requirements, income statements, operating expenses, operating income, interest, depreciation, other revenues and expenses, and net income; cash flow statements, forecasted results of operations, customer and sales data, revenue by customer class, internal labor costs, analysis of proposed bond issues and/or loan agreements, payment terms and schedules and calculations of working capital.
- Analyzing the information listed in the previous bullet to provide opinions to the Commission specifically to scrutinize the figures and calculations presented by PAG or its supporting staff to determine if the information is accurate and correct.
- Verifying the financial and accounting accuracy of any records or information submitted by PAG.
- Determining if the PAG accounting and financial records are being maintained in accordance with General Accepted Accounting Principles (GAAP) and the GAO Yellow Book standards.
- Providing other services as required by the Commission.

## 2.0 STATEMENT OF WORK

In this section, we will describe the tasks we will execute as part of the tariff review of the PAG.

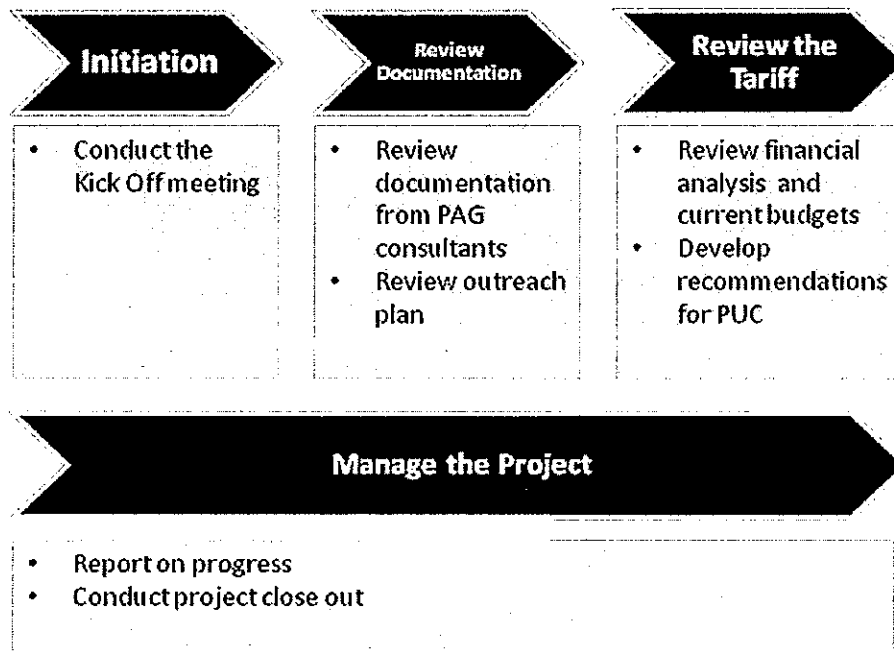
Our overall approach is to work with the PAG staff, their consultants and the PUC to develop a tariff that is just and reasonable for the people of Guam while also meeting the business objectives of the PAG.

We will achieve this overall objective by engaging with the PAG early to develop a tariff that is supportable, that meets the "just and reasonable" criteria and that will address the issues that were raised during the interim tariff review process in 2010.

## 2.1 STATEMENT OF WORK

In Figure 1, we show the overall approach that we will use in executing this review:

Figure 1 – Tariff Review Approach



### Phase 1 - Initiation

This phase will be focused on the development of the plan for the tariff creation and review.

#### *Conduct a Kickoff Meeting*

The objectives of this meeting will be to:

- Discuss the plan for the tariff review
- Review and comment on the Outreach plan
- Define the business objectives of the tariff

We will conduct two 2 hour meetings via WebEx to discuss these topics with PAG and the PAG consultant.

The output from these meetings will be an agreed upon approach for the review of the draft tariff.

## **Phase 2 – Review documentation**

In this phase, we will review the documentation that was provided by the PAG consultants. Our review will focus on the following areas:

### ***Review the PAG consultant Study and Tariff documentation***

The activities in this task will include

- Identify informational gaps within the PAG consultant report. We will review the PAG consultant report to determine where inaccuracies or inconsistencies, if any, within the report
- Document the inaccuracies or inconsistencies. Identify impact on the development of the proposed tariff ranging from minor (not requiring adjustment) to significant (will require revision of the proposed tariff)
- Work with the PAG and its consultant to resolve informational needs and inconsistencies

As part of this task, we will conduct a series of conference calls to discuss the inconsistencies in order to better understand the approach.

### ***Review the outreach program***

- Identify potential customer concerns and issues
- Review the outreach results to identify potential consumer issues and concerns

## **Phase 3 – Conduct the Draft Tariff Review**

We will execute the following tasks:

### ***Review the PAG consultant financial Analysis and current operating and capital improvement budgets***

The activities in this task will include

- Review the financial analysis related to the development of the PAG proposed tariff
- Discuss potential funding/debt service coverage issues
- Work with PAG and its consultants to refine operating and capital budgets
- Review comparables, CPI indicators and other factors to establish whether proposed rates are "fair and reasonable"

### ***Develop recommendations for PUC***

Based upon our review, we will make a recommendation to the PUC related to acceptance of the proposed tariff using the "just and reasonable" criteria that was defined in the previous phase.

This will include:

- Conduct up to 2 meetings with the PUC to review the results of the tariff review



## **Phase 4 – Manage the Project**

For this phase, we will execute the tasks related to managing the project. This will include:

- Provide bi-weekly status reports to the PUC ALJ
- Maintain the project schedule and billing

### 3.0 COST ESTIMATE

Based upon the tasks described above, the cost estimate for this project is presented in Table 1.

**Table 1 – Cost Estimate**

	Total hours
<b>Phase 1 - Initiation</b>	
Conduct kickoff meeting with PAG	20
<b>Phase 2 – Review documentation</b>	
<i>Review the PAG consultant Study and Tariff documentation</i>	
Identify gaps in the PAG consultant report. Document inaccuracies or inconsistencies within the report	76
Work with the PAG and its consultant to resolve informational needs and inconsistencies	20
<i>Review the Outreach Program and Results</i>	
Conduct a review of the outreach program and the results	16
<b>Phase 3 – Conduct the Draft Tariff Review</b>	
<i>Review the PAG consultant financial analysis and current operating and capital improvement budgets</i>	
Review the financial analysis. Define potential funding / debt service coverage issues. Define potential funding / debt service coverage issues.	368
Work with PAG and its consultants to refine operating and capital budgets	16
<i>Develop recommendations for PUC</i>	
Provide support in meeting with PUC (in person)	80
Conduct up to 2 meetings with the PAG and their consultants to discuss (Remote meetings)	16
<b>Phase 4 – Manage the Project</b>	
Provide two one hour bi-weekly status reports to the PUC ALJ	10
Maintain the project schedule and billing	4

Cost Estimate	
Labor Hours	626
Labor Cost @ \$150 / hour	\$93,900.00
Expenses (estimated)	
Travel - 1 trip for 3 staff members	
Airlines	\$16,000.00
Per Diem / Lodging - 3 days per staff member @ US Govt Rate	\$2,000.00
Rental Car for 3 days shared by 3 staff members	\$300.00
Miscellaneous expenses (WebEx, printing etc)	\$500.00
Subtotal - expenses - estimated	\$18,800.00
Total cost	\$112,700.00

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

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**INTRODUCTION**

This matter comes before the Guam Public Utilities Commission (“PUC”) upon the filing of the December 30, 2010 Comprehensive Tariff Study (“Tariff Study”), prepared by The Cornell Group, Inc. (“Cornell”), on behalf of the Port Authority of Guam (“PAG”). The Tariff Study examines PAG’s tariff rates by providing a comprehensive review of PAG’s existing terminal tariff, as well as recommending modifications to the terminal tariff.

**DETERMINATIONS**

1. On June 17, 2011, the Administrative Law Judge (the “ALJ”) of the PUC issued his ALJ Report regarding the Scope of Work submitted by the PUC’s consultant Slater, Nakamura (“Slater-Nakamura Scope of Work”) to examine PAG’s Tariff Study.

2. In the June 17, 2011 ALJ Report, the ALJ found that the Slater-Nakamura Scope of Work adequately sets forth the tasks required to examine PAG’s existing terminal tariff, Cornell’s Tariff Study, and PAG’s proposed tariff, dated June 2, 2011.

3. The ALJ further found that the projects indicated in the Scope of Work appeared reasonable and necessary to complete a study of PAG’s proposed terminal tariff, and that Slater-Nakamura’s proposed cost estimate appeared reasonable, especially given the comprehensive nature of the types of tariff studies to be examined.

4. Thus, the ALJ recommended that the PUC approve Slater-Nakamura’s Scope of Work, which was attached to the June 17, 2011 ALJ Report as “Exhibit A.”

The Commission hereby adopts the findings made in the ALJ Report and, therefore, issues the following:

**ORDERING PROVISIONS**

Upon consideration of the record herein, the June 17, 2011 ALJ Report, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS that:

1. The Scope of Work between the Guam Public Utilities Commission and Slater, Nakamura is hereby approved.

2. PAG is further ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with conducting the review process. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the PUC.

SO ORDERED this \_\_\_\_ of June, 2011.

\_\_\_\_\_  
Jeffrey C. Johnson  
Chairman

\_\_\_\_\_  
Joseph M. McDonald  
Commissioner

\_\_\_\_\_  
Rowena E. Perez  
Commissioner

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Filomena M. Cantoria  
Commissioner

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Michael A. Pangelinan  
Commissioner

P114064.JRA