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Public Utilities Commission
GUAM

GUAM PUBLIC UTILITIES COMMISSION
SPECIAL MEETING
January 30, 2018
Suite 202, GCIC BUILDING, HAGATNA

MINUTES

The Guam Public Utilities Commission [PUC] conducted a special meeting commencing at 6:35 p.m. on January 30, 2018, pursuant to due and lawful notice. Commissioners Johnson, Pangelinan, Montinola, Niven, Cantoria, and McDonald 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 November 30, 2017 and December 5, 2017. Upon motion duly made, seconded and unanimously carried, the Commission approved the minutes subject to correction.

2. TeleGuam Holdings LLC

The Chairman announced that the next item of business on the agenda was GTA Docket 17-07, Petition for PUC to Reconsider Revised Rules, Regulatory fees for Telecom Companies, ALJ Report and Proposed Order. Counsel indicated that every year, the PUC assesses administrative fees against the utilities to fund the operations of the PUC. The PUC determines its budget, and the administrative fees are divided between the six regulated entities, including telecom companies. Generally, telecom bears one-sixth of the total annual administrative assessment. In the last year, that amount was roughly $96,000.00. The telecom portion is apportioned among the telecom companies by a formula which uses the percentage of regulatory fees assessed against each company during the preceding year. Based upon the percentage of the total of the regulatory fees that are assessed against that company, its portion of the administrative fees is determined.

Last September, GTA filed a petition questioning whether it and larger telecom companies should pay such a great portion of the annual assessment fee. Last year, GTA bore about $56,000 out of the $96,000 assessment. In normal years recently, most of the administrative fees have been assessed against GTA and also PDS. There are a number of other companies in the telecom field, such as Docomo, IT&E, and iConnect. GTA argued that the method for determining the assessment of administrative fees should be altered.

Its argument was that all of the companies, including those that don't participate in regulatory proceedings, benefit from the activities of the PUC. The ALJ, in his report, concurred with his position. The PUC undertakes many duties that benefit all companies, such as those involving the monitoring, assessment, recording, compliance and annual report submission for the E911 system. The PUC annually reviews universal support fund issues which benefit all of the companies. It also grants certificates of authority and undertakes other regulatory activities which benefit the companies.

The ALJ conducted regulatory proceedings concerning the GTA petition. He suggested to the parties that the proceedings could be shortened if the parties could stipulate as to a manner of apportionment of the administrative fees. The parties worked cooperatively together and worked out a proposed apportionment. That apportionment is embodied in this Stipulation of the Parties regarding Apportionment of Administrative Fees. That stipulation would create a baseline assessment for the telecom parties. The baseline is a total of $45,000 per year, and it is apportioned among the parties as follows: GTA, $16,000; PDS, $5,000; Docomo Pacific, $11,000; IT&E, $11,000, and iConnect, $2,000. The companies have agreed to pay that amount every year. The amount of the assessment could be changed by the PUC in the future if necessary.

However, the baseline amount would not be sufficient to pay all of the administrative fees necessary over the past few years. Thus, after the companies pay the baseline assessment, the PUC will look at the regulatory fees incurred by the companies in prior years and determine the balance of fees owed in the manner that it has always used. The percentage of regulatory fees incurred by each company will be determined, and each such company will pay its percentage of the remainder of the annual assessment by the PUC. The ALJ believes that this is a fair assessment method. It will more widely distribute the burden of the administrative assessment to all of the companies. This new methodology will be an improvement and a fairer way of assessing fees.

The ALJ recommends that the PUC adopt the stipulated procedure. If the PUC does so, there will need to be changes to the rules governing regulatory fees. If the PUC approves the stipulation, the ALJ will then revise the rules to include this new procedure.

Commissioner Pangelinan recused himself from this matter, as Docomo is a client of his firm.

Commissioner Montinola asked Counsel if he was indicating the parties have agreed that this is a fair and equitable baseline rate. Counsel responded in the affirmative. Commissioner Montinola then clarified that from the baseline, the parties would move forward on whatever the percentages are. Counsel indicated the baseline would be the amounts indicated in the stipulation. Then the PUC will determine the total regulatory fees over the past year and what the portion of the total amount was incurred by each company. The remainder of the administrative fee will be determined using that formula.

Commissioner Montinola further asked if the baselines were fair today, if they could be compared from year to year. Counsel indicated that every year was different. But on average, assessment fees have ranged from $85,000 to $120,000. No matter what the assessment was in any year, the baseline would remain the same. Balance would be determined by apportionment on regulatory fees.

Commissioner Cantoria requested that the rules include a timeline to revisit the sharing. This sharing is voluntary by the companies. Later on, if another big player came into telecom, perhaps it should get a bigger share. There must be a procedure for revisiting the amount of the baseline assessment, every five years, or as necessary. Counsel suggested that "as necessary" would be probably be preferable. He agreed that Commissioner Cantoria's suggestion was a good one. When circumstances change in the telecom arena in Guam, the amount of the baseline assessment could also change, either go up or go down.

Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Stipulation of the Parties regarding assessment of PUC administrative fees, and adopted the Order made *Attachment "B"* hereto.

Executive Vice President of GTA, Dan Tydingco, appreciated the Commissioners' review of this matter. The baseline was a great idea that everyone adopted. Commissioner Montinola suggested that the baseline could be effective for this fiscal year. Commissioner Montinola concurred. However, Counsel questioned whether the Commission wished to redo its prior assessment order for this fiscal year. Mr. Tydingco pointed out that GTA had requested that this docket be open before the fiscal year started and before there was an assessment for FY2018.

Counsel concurred. However, Counsel wished to explain the implications of this issue. The PUC already made an assessment for FY2018. GTA's portion of the $96,000 was $56,000. The Order in which Counsel drafted did not clarify that this baseline assessment would be retroactive. The Commission should clarify if that is the intent. Counsel was not sure if all companies had already paid the FY2018 assessment. Mr. Tydingco indicated that GTA has already paid its assessment; it would not be averse to a credit if there is a true-up on the balance. Counsel indicated that if that was done for GTA, it would also have to be done for the other parties.

Commissioner Montinola indicated the parties decided the baseline they would pay. They already agreed to it. However, Counsel indicated that there was no discussion whether this was retroactive. The Chairman asked whether this issue was discussed with the other companies. Mr. Tydingco indicated that the issue was not in the stipulation that was signed off on. It was not raised directly with the other parties. Mr. Tydingco indicated that, according to his calculation, with the new baseline GTA would save approximately 11,000, which would be a savings of $11,000.

The Chairman asked if GTA would agree to give the Commission an opportunity for more thought and deliberation. Mr. Tydingco concurred. Counsel suggested there might need to be an amended assessment Order. The Order issued by the PUC in September 2017 is now a final Order. Commissioner Montinola indicated that his intent was to start with the assessment this year, if it is fair and equitable. Counsel indicated that the Administrator should be consulted to determine what payments have been made for FY2018.

Commissioner Niven indicated that the proposed Order does not indicate one way or the other when this baseline assessment is to start. He asked whether Counsel would be writing regulations for the next months meeting. Counsel said that he would. This matter could be considered further at the end of February. The Chairman pointed out that all of the parties should have an opportunity to consider the assessment if the PUC will reassess an assessment that was already established for a specific fiscal year. Commissioner Cantoria suggested that the assessment could be prorated to January when the parties signed their agreement. One third would be prorated up to the date of the stipulation.

3. Port Authority of Guam

The Chairman indicated that the next item of business was PAG Docket 18-02, True-Up Review, ALJ Report, and Proposed Order. The ALJ indicated that his matter came before the Commission pursuant to the PUC's April 27, 2017 Order issued in PAG Docket 17-01, whereby the Port is required to provide the PUC with certain updated financial information annually. In that docket the PUC approved a 7% increase in the PAG's tariff rates effective June 1, 2017, as well as another 7% increase on January 1, 2018, effective through the remainder of fiscal year 2018.

PAG was ordered by the Commission to submit actual data for fiscal year 2017 concerning its revenue and net income, operating expenses, debt service and capital cost, operating reserves, and information on its through-put cargo.

In its submission, PAG indicated that the approved 5-year tariff adjustment was determined by revenue requirements of the Port considering projected operations and capital costs, and debt service required. The 5-year tariff increase is vital for the generation of sufficient revenues to cover operating cost of the Port, debt service on capital programs, modernization and sustainability. The Port's total revenues for fiscal year 2017 was about $30.8M. Operational expenses for FY2017 totaled about $40.8M, with a bulk of expenses being salaries and wages. PAG currently has four basic loan obligations that are included in its annual expenses. These include loans on the purchase of the Port of Los Angeles cranes, life extension loans, loans to purchase top lifters and terminal operating system, and a USDA loan.

The Port handled a total of about 96,000 containers during fiscal year 2017, which was about 7,000 containers less than fiscal year 2016. However, PUC consultants had indicated that the number of containers handled in 2016 was unusually high and anomalous. Based upon the PAG submission, the ALJ found that PAG had appropriately filed documentation required by the PUC's rate decision in PAG Docket 17-01. He further found that there was no need to deviate from the multi-year rate plan already approved by the PUC. Therefore, he recommended that the PUC approve PAG's implementation of a 7% increase in its tariff rates for the remainder of fiscal year 2018.

The Chairman asked when the rate increase would take effect. The ALJ indicated that the 7% would take effect January 1, 2018. Commissioner Pangelinan stated that the ALJ indicated that all of the required documentation was submitted and that there was no basis to deviate from the multi-year rate increase. He asked what was the basis of that conclusion that there was no need to deviate. Was it the information provided by PAG to verify projected numbers that were initially provided, or was it a means of checking to make sure that the actual numbers are what was expected.

The ALJ indicated Commissioner Pangelinan was correct. If the Port reported a significant number less than what was projected back in the review of the rate petition, then the port could request a higher rate increase now. It didn't do that. Commissioner Pangelinan asked whether what was submitted was consistent with that anticipated. The ALJ concurred. It is fairly consistent. Commissioner Pangelinan indicated it was not clear as to how the ALJ arrived at that conclusion.

Commissioner McDonald asked whether if in Docket 17-01, the PUC approved a 7% increase and then another increase effective January 1, 2018. The ALJ indicated that was correct. This was the same 7% increase previously approved. Commissioner Montinola asked when the 1% increase kicks in. The ALJ indicated that the 1% kicks in for fiscal year 2019.

Some discussion followed concerning the bond issuance which PAG was seeking in San Francisco. Mr. Al Duenas of PAG indicated that the amount of the issuance would be approximately $72M. Commissioner Cantoria asked whether the 1% increase for next year would be sufficient to service the new bonds. Mr. Duenas indicated it would because by that time, PAG would have collected sufficient revenues under the 7% increases.

Upon motion duly made, seconded and unanimously carried, the Commissioners approved the True-up of the 7% PAG rate increase, effective January 1, 2018, and adopted the Order made *Attachment "C"* hereto.

4. Guam Power Authority

The Chairman announced that the next item of business was GPA Docket 18-04, Application to Exercise Extension Option under the Diesel Fuel Supply Contracts, and Ratification of the Chairman's Order Approving Exercise of the Extension Options.

Counsel indicated the Commissioners will recall that there was no meeting in December. Because the fuel contracts of GPA with IP&E and Mobil were expiring at the end of December, there was a need for extra-ordinary emergency action to be taken. The Chairman, exercising his authority under 12 GCA §12105, which allows him under certain circumstances to take action on behalf of the Commission, approved 1-year extensions of the diesel fuel supply contracts with Mobil Guam and IP&E Guam. The contracts allow for two year extensions. This is the exercise of the first-year extension. The Chairman signed that Order, and a copy of the Order has been provided to the Commissioners. It was dated December 18, 2017.

With the Order of Ratification, the Commissioners would place their *imprimatur* upon the Chairman's Order and ratify and affirm the same. In the Order of Ratification, the Commissioners would find that it was necessary for the Chairman to approve the one-year extensions for this fuel supply contracts, and to authorize the expenditure of funds for such one-year contract extensions. The cost of the extensions is in the range of $77M, and the ratification would also further approve amendments to the fuel supply contract. Upon motion duly made, seconded and unanimously carried, the Commissioners ratified and affirmed the Chairman's Order dated December 18, 2017 and adopted the Ratification Order made *Attachment "D"* hereto.

The Chairman indicated that the next item of business was GPA Docket 18-05, Petition for the Levelized Energy Adjustment Clause for the period of February 1, 2018 over the next six months, PUC Counsel Report and Proposed Order. Counsel indicated that the present LEAC factor was about 11.8 cents per kilowatt hour. The problem is that, during the last few LEAC periods, GPA agreed to accept a 50% recovery of its fuel oil costs. Unfortunately, GPA has been put in the difficult position of being roughly $18M in the hole on fuel costs at the end of this month.

While it was admirable that GPA tried to abate the rate impact, the problem is that the fuel prices have kept increasing. Therefore, if something is not done, the under-recovery will just grow and grow, and potentially necessitate even higher LEAC increases in the future. When GPA filed its current petition, it was asking for a 75% recovery for this LEAC period. That would have increased the LEAC to a little over 15 cents per kilowatt-hour. Counsel met with GPA officials, and was concerned about the impact of so large a LEAC increase on the ratepayers. After discussing possible reduction, GPA came back with two-prong proposal, a two-phase proposal, which overall would recover about 70% of the LEAC cost, of the fuel under-recovery for this period.

For the first three months, starting February 1, 2018, the proposed LEAC rate would be 14.7 cents per kilowatt-hour. Then for May, June and July, LEAC would be increased to 15.04 cents per kilowatt-hour. At the end of the LEAC period, we would still anticipate an under-recovery of approximately $9M. So, with the proposed rates, GPA is still not recovering the total under-recovery. The purpose of LEAC is as a "pass-through" for fuel costs. When GPA incurs expense for fuel, it is entitled under LEAC to charge a rate that will recover the entire fuel cost back to GPA. There was a deviation from full recovery over the last few LEAC periods, and now it is time to get back to a stricter view of the LEAC factor and its purpose to recover all fuel cost.

Fuel cost are presently increasing, but it is speculative as what they will do over the next six months. The Morgan Stanley index predictions do not show a great increase. But, within the last week, the Brent Crude Oil index has gone up about $2.00 on the futures contracts. It seems that we are in a rising fuel price market. To be too generous on the percentage on the recovery for GPA is not in the ratepayers' long-term interest. It's never pleasant for people to have to pay more. This increase would result in an additional $33.00 per month for the average ratepayer utilizing a thousand kilowatts per month. It represents a 15.5% increase in the total bill.

Counsel recommends that the PUC adopt GPA's two-prong proposal. If for any reason fuel prices go down, the LEAC rate can again be revised during the next LEAC period. There is still likely to be a $9.1M under-recovery, even with these rate increases. For that reason it is also a good idea to keep the rate of 15.4 cents per kilowatt-hour in effect even beyond the 3-month LEAC period until the direction of fuel prices can be accurately ascertained.

The Chairman asked what the initial increase was in the first 3 months on the average bill of a thousand-kilowatt hours. Counsel indicated that there would be an increase of 13.92% in the total bill, or $29.55 a month. GPA Counsel indicated that for the next 3 months, the total bill will increase by 17.2% and $36.52 per month. Commissioner Montinola asked whether the $9M was just the cost of fuel to be purchased. GPA Counsel Botha indicated it was.

PUC Counsel indicated that LEAC was entirely dependent on fuel prices. There are some other factors, such as solar cost, handling cost and other costs which are placed in LEAC; however it is primarily fuel costs. Commissioner Pangelinan confirmed that GPA was currently under-recovering by $18.5M over the prior six-month period. Counsel explained that the under-recovery had been over the last two periods at least, maybe longer. The Chairman indicated that PUC had been doing this over a year to help defray some of the increases in fuel prices, to make a little easier; GPA has been trying to catch up ever since.

Commissioner Pangelinan asked how GPA absorbs the under-recovery and whether it just comes from reserves. CFO Kim indicated that its taken from working capital. The working capital fund has been healthier over the past few years. The General Manager Benavente indicated that as fuel prices go up, the working capital starts to decline. That's really when the increase is necessary. The fuel price jumped up from 45 to 55. Now it will go again to 65. Its to be hoped that the fuel price does not increase further. Then the recovery will be lessened and stabilized. Commissioner Niven asked whether there was a cost to GPA of carrying a $10M under-recovery over a period of time. CFO

Kim indicated that there was not. It comes from working capital. Before the working capital fund had 35 or 36M on hand, but it has been shrinking recently because it is paying for carrying the under-recovery. Upon motion duly made, seconded and unanimously carried, the Commissioners adopted the two-phase increases in the LEAC factor proposed by GPA, and adopted the Order made *Attachment "E"* hereto.

5. Guam Waterworks Authority

The Chairman announced that the next item of business was GWA Docket 17-12, Approval of GWA's Amended System Development Charge Implementation Guidelines and Financial Offset Policy. ALJ Jay Alcantara requested to table the matter as he was still working with GWA to tighten up some of the language in the proposed rules.

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

Andrew ~~L.~~ Niven
Acting Chairman

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION
SPECIAL MEETING
SUITE 202, GCIC BUILDING
414 W. SOLEDAD AVE., HAGATNA, GUAM
6:30 p.m., January 30, 2018

Agenda

1. Approval of Minutes of November 30, 2017, and December 5, 2017

2. TeleGuam Holdings LLC
   - GTA Docket 17-07, Petition for PUC to Reconsider and Revise Rules on Regulatory Fees for Telecom Companies, ALJ Report, and Proposed Order

3. Port Authority of Guam
   - PAG Docket 18-02, True-Up Review, ALJ Report, and Proposed Order

4. Guam Power Authority
   - GPA Docket 18-04, Application to Exercise Extension Options under Diesel Fuel Supply Contracts, Ratification of Chairman's Order Approving Exercise of Extension Options
   - GPA Docket 18-05, Petition for Levelized Energy Adjustment Clause for Period of February 1, 2018, PUC Counsel Report, and Proposed Order

5. Guam Waterworks Authority
   - GWA Docket 17-12, Approval of GWA's Amended System Development Charge Implementation Guidelines and Financial Offset Policy, ALJ Report, and Proposed Order

6. Administrative Matters

7. Other Business

ATTACHMENT A

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

In the Matter of:	)	
	)	GTA Docket 17-07
Petition of TeleGuam Holdings LLC	)	
requesting Reconsideration of the PUC	)	**ORDER**
Rules Governing Regulatory Fees for	)	
Telecommunications Companies.	)	

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] pursuant to the September 8, 2017 TeleGuam Holdings LLC ["GTA"] Petition requesting Review and Reconsideration of the PUC Rules Governing Regulatory Fees for Telecommunications Companies.[1]

BACKGROUND

2. In its Petition, GTA requests that the PUC reevaluate the methodology utilized in determining annual administrative assessment fees for telecommunications companies.[2]

3. In GTA's view, it pays a disproportionally high amount toward the annual administrative fees of the PUC. On average, the table attached to its Petition indicates that GTA paid 68% per year of all PUC administrative fees for telecom companies for the period of 2009 to 2016.[3]

4. Each year, at the end of the fiscal year (September), the PUC issues an Assessment Order in which it assesses the amount of administrative fees owed by each entity/company regulated by the PUC. These administrative fees are utilized by the PUC to fund its operations.[4]

5. GTA requests that the PUC administrative fees be shouldered equally and uniformly by all telecom companies over which the PUC has oversight. Larger telecom

[1] GTA Petition to Reconsider the PUC Rules Governing Regulatory Fees for Telecommunications Companies, GTA Docket 17-07, dated September 8, 2017, at p. 1.
[2] Id.
[3] Id.
[4] ALJ Order, GTA Docket 17-07, dated November 25, 2017, at p. 1.

ATTACHMENT B

companies pay nearly all of the administrative assessments, but all telecom companies benefit from the regulatory oversight of the PUC.[5]

6. The Administrative Law Judge ("ALJ") submitted his Report to the Commission on January 18, 2018.

DETERMINATIONS

7. Five telecommunications companies regulated by the PUC have participated in this Docket: TeleGuam Holdings, LLC ("GTA"), Pacific Data Systems, Inc. ("PDS"), Docomo Pacific, Inc. ("DPAC"), PTI Pacifica, Inc. ("IT&E"), and Choice Phone, LLC ("iConnect").

8. On January 11, 2018, the five Telecom companies submitted a Stipulation of the Parties regarding Apportionment of Administrative Assessments. A true and correct copy thereof is attached to the ALJ Report.

9. Therein the Parties stipulated that there would be a base line assessment for each telecom company for PUC administrative fees on an annual basis, as follows: GTA-$16,000.00; PDS-$5,000.00; DPAC-$11,000.00; IT&E-$11,000.00; and iConnect-$2,000.00. The total annual base line assessment of the PUC administrative fees would be $45,000.

10. For each fiscal year, after each company pays its base line assessment, any remaining Administrative Assessments will be apportioned among the Telecom companies based upon the percentage of total regulatory fees assessed against each company for the prior fiscal year.

11. It is fair and equitable that all Telecom companies share in at least a portion of the PUC administrative costs.

12. The PUC provides a number of activities that benefit all Telecom Companies, such duties related to the annual E911 Report, review and certification regarding Universal Support Funds; granting of Certificates of Authority and the conduct of proceedings for the transfer of such certificates; review of telecom legislation

[5] GTA Petition to Reconsider the PUC Rules Governing Regulatory Fees for Telecommunications Companies, GTA Docket 17-07, dated September 8, 2017, at p. 1.

proposed by the Guam Legislature, and review proceedings concerning Interconnection Agreements between the ILEC and the CLECs as well as others.[6]

ORDERING PROVISIONS

Upon consideration of the record herein, the Petition of GTA, the Stipulation of the Parties, the 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 Stipulation of the Parties Regarding Apportionment of Administrative Assessments is hereby approved.

2. The base line annual amount of fees proposed in the Stipulation is a fair and equitable manner of dividing at least a portion of the annual PUC administrative fees owed by telecom companies.

3. A yearly base line fee for PUC Administrative Fees is hereby established. Each Telecom Company shall pay its annual base line Administrative Fees in accordance with the Stipulation and comply with all obligations thereunder.

4. PUC administrative fees in excess of the agreed base line shall be paid in the same manner as they are presently paid by telecom companies – based upon the extent to which each company has utilized the regulatory services of the PUC in the preceding year.

5. The ALJ is directed to revise the PUC Rules Governing Regulatory Fees for Telecommunication Companies, Docket 05-01, to incorporate the new Administrative Fee provisions in accordance with the Stipulation of the Parties.

6. The ALJ shall further update and revise the PUC Rules Governing Regulatory Fees for Telecommunication Companies, and add certain amendments that have previously been made to the Rules.

7. The Rules as Revised by the ALJ shall be submitted to the Commission for final review and approval.

[6] ALJ Order, GTA Docket 17-07, dated November 25, 2017, at pgs. 1-2.

8. The regulatory fees incurred herein by the Commission shall be shared by the Parties in this proceeding in accordance with the formula adopted for baseline fees.

Dated this 30th day of January, 2018.

Jeffrey C. Johnson Chairman	Rowena E. Perez Commissioner
Joseph M. McDonald Commissioner	Michael A. Pangelinan Commissioner
Filomena M. Cantoria Commissioner	Andrew L. Niven Commissioner
Peter Montinola Commissioner	

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BEFORE THE PUBLIC UTILITIES COMMISSION

PETITION OF JOSE D. LEON GUERRERO COMMERCIAL PORT FOR RATE RELIEF	PAG DOCKET 18-02 ORDER RE: ANNUAL TRUE UP FOR FY2017

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the "PUC") pursuant to the PUC's April 27, 2017 Order issued in PAG Docket 17-01 (the "Rate Decision"). Pursuant to the Rate Decision, Jose D. Leon Guerrero Commercial Port ("PAG" or the "Port") is required to provide the PUC with certain updated information annually, specifically its annual "true up" report.

On January 29, 2018, the Administrative Law Judge of the PUC (the "ALJ") assigned to this matter filed an ALJ Report that included his findings and recommendations based on the administrative record before the PUC. The ALJ found the following.

DETERMINATIONS

On October 31, 2017, PAG submitted its annual "true up" report (hereinafter referred to as the "Annual True Up" or "FY2017 True Up"). Pursuant to the Rate Decision, the PUC has authorized a rate increase of seven percent (7%) for the remainder of fiscal year 2018, beginning January 1, 2018.

A. Five Year Rate Plan and Rate Decision

In PAG Docket 17-01, the PUC approved a seven percent (7%) increase in PAG's tariff rates effective June 1, 2017, as well as another seven percent (7%) increase on January 1, 2018. PAG was ordered by the Commission to submit actual data for FY2017 concerning its: (1)

ATTACHMENT C

revenue and net income; (2) operating expenses; (3) debt service and capital costs; (4) any operating reserves; and (5) throughput cargo. In its submission, PAG indicated that "[t]he approved 5 year tariff adjustment . . . was determined by revenue requirements of the Port considering projected operating and capital costs and debt service required";[1] and that "[t]he five (5) years of tariff increase is vital for the generation of sufficient revenues to cover operating costs of the Port Authority, debt services and capital programs for modernization and sustainability."[2]

B. True Up Review

1. Revenue and Net Income

As indicated in PAG's submission, PAG's operating revenue for FY2017 was $41,793,175, and $9,080,195 in non-operating revenue, totaling $50,873,370.00 in revenues. This total revenue was just $1.5 million shy from the total revenue for FY2016. PAG further reported a $5,945,514 in net income.

2. Operating Expenses

PAG indicated that its operating expenses for FY2017 totaled $40,818,084. The bulk of its expenses were for salaries and wages, which totaled $18,515,302.

3. Debt Service and Capital Costs

According to PAG, it currently has four (4) basic loan obligations. PAG has a $3.5 million loan with ANZ, which PAG paid $30,048.76 per month, totaling $360,585.12 in FY2017. This loan allowed PAG to purchase ten (10) tractors and four (4) toplifters.

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1 FY2017 True Up, p. 1.

2 FY2017 True Up, p. 1.

PAG's other loan with ANZ, for its purchase of the Port of Los Angeles cranes, which PAG paid $101,426.79 per month, totaled $1,217,121.48 for FY2017.

Next, PAG also has Service Life Extension ("SLE") loans from Bank of Guam, which helped fund PAG's Marine SLE project, purchased toplifters and PAG's Terminal Operating System. One SLE loan cost PAG $73,530.00 per month, for a total of $735,300.00 for FY2017; while the other SLE loan cost PAG $27,000.00 per month, for a total of $324,000.00 for FY2017.

Lastly, PAG has a $2 million USDA Direct Loan, which PAG paid $27,000.00 per month, for a total of $324,000.00 for FY2017. This loan was used to purchase tractors, a street sweeper, and four (4) 5-ton forklifts, among other equipment.

4. Operating Reserves

According to PAG, it had about $17 million in operating reserves for FY2017.

5. Throughput Cargo Volume

With respect to its volume of cargo, PAG submits that the Port handled a total of 96,055 containers during FY2017, which was 7,097 containers less than FY2016. However, the record is clear in PAG Docket 17-01 that the total number of containers handled in 2016 was unusually high and anomalous, and that the number of containers handled in 2015 appeared more on trend.[3] In FY2015, PAG handled 90,762 containers. With respect to breakbulk, the Port handled a total of 170,408 revenue tons of breakbulk in FY2017.

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[3] Report of Tariff Investigation for the Port Authority of Guam, submitted by Slater Nakamura, L.L.C., pp. 15-16 (Mar. 7, 2017).

CONCLUSION

Based on PAG's submission, the ALJ found that PAG has duly filed the appropriate documentation required by the PUC's Rate Decision issued in PAG Docket 17-01. Further, based on the information provided by PAG, the ALJ further found that there appears to be no need to deviate from the multi-year rate plan already approved by the Commission. Accordingly, based on the record before the Commission, and for the reasons set forth therein, the ALJ recommended that the PUC approve PAG's implementation of the seven percent (7%) rate increase for the remainder of FY2018.

The Commission hereby adopts the findings made in the January 29, 2018 ALJ Report, and therefore, issues the following:

ORDERING PROVISIONS

Upon careful consideration of the record herein, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS the following:

1. That PAG has satisfied the requirements concerning its Annual True Up set forth in the Rate Decision issued in PAG Docket 17-01, and therefore, the PUC hereby APPROVES PAG's implementation of the seven percent (7%) rate increase for the remainder of FY2018.

2. PAG is 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 this matter. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the PUC.

SO ORDERED this 30th day of January, 2018.

JEFFREY C. JOHNSON
Chairman

ROWENA E. PEREZ
Commissioner

JOSEPH M. MCDONALD
Commissioner

FILOMENA M. CANTORIA
Commissioner

MICHAEL A. PANGELINAN
Commissioner

PETER MONTINOLA
Commissioner

ANDREW L. NIVEN
Commissioner

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BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:	**GPA DOCKET 18-04**
THE APPLICATION OF THE GUAM POWER AUTHORITY TO EXERCISE EXTENSION OPTION UNDER THE DIESEL FUEL SUPPLY CONTRACT WITH MOBIL OIL GUAM, INC. AND ISLA PETROLEUM AND ENERGY, LLC (IP&E GUAM)	**ORDER OF RATIFACTION**

This matter comes before the Guam Public Utilities Commission ["PUC"] upon the ORDER signed herein by Chairman Jeffrey C. Johnson on December 18, 2017.

Based upon the PUC Counsel Report dated December 14, 2017, it appears that the Diesel Fuel Supply Contracts of GPA with Mobil Oil Guam Inc. and IP&E Guam were terminating on December 31, 2017. Counsel recommended that the PUC approve one year extensions for these fuel oil supply contracts.

Since the PUC was not meeting in the month of December, 2017, the Chairman indicated that interim, emergency action was necessary to approve the extension of GPA's Diesel Fuel Supply Contracts before their termination date. Pursuant to 12 GCA §12105(b), the Chairman approved the exercise by GPA of one year extension options for its Diesel Fuel Supply Contracts with Mobil Oil Guam Inc. and IP&E Guam LLC. However, the Order was "subject to ratification by the PUC at its next meeting."

The Commission has reviewed the PUC Counsel Report dated December 14, 2017, and the Order of the Chairman dated December 18, 2017. The Commission finds that it was necessary for the Chairman to approve the one year extensions of the Fuel Oil Supply Contracts, to authorize the expenditure of funds for such one year contract extensions, and to approve the Amendments to the Fuel Oil Supply Contracts.

The Chairman's Order is hereby ratified and approved.

Dated this 30th day of January, 2018.

Jeffrey C. Johnson Chairman	Rowena E. Perez Commissioner

ATTACHMENT D

Order of Ratification
Chairman's Order dated
December 18, 2017, Re:
Extension of Diesel Fuel Oil
Supply Contracts with Mobil
Oil Guam Inc. & IP&E
GPA Docket 18-04
January 30, 2018

Joseph M. McDonald
Commissioner

Michael A. Pangelinan
Commissioner

Filomena M. Cantoria
Commissioner

Andrew L. Niven
Commissioner

Peter Montinola
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

RECEIVED
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Public Utilities Commission
GUAM

IN THE MATTER OF:	) GPA Docket 18-05
	)
The Guam Power Authority Levelized	)
Energy Adjustment Clause (LEAC)	) **PUC ORDER**
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On December 7, 2017, the Guam Consolidated Commission on Utilities, in Resolution No. 2017-16, authorized GPA Management to Petition the PUC for an increase in the LEAC factor from $0.117718/kWh to $0.150824/kWh effective for meters read on or after February 1, 2018, through July 31, 2018.[1] In accordance with the protocol established by Guam Public Utilities Commission [PUC] Order dated January 29, 1996, as amended by Order dated March 14, 2002, Guam Power Authority [GPA] transmitted its LEAC Filing, dated December 21, 2017, to the PUC.[2]

Pursuant to CCU Resolution No. 2017-47, GPA requested that the Levelized Energy Adjustment Clause Factor ["LEAC"] be increased from $0.117718/kWh to $0.150824/kWh effective for meters read on or after February 1, 2018.[3] This change would reflect a 28.12% increase in the LEAC factor, or a 15.59% increase in the total bill.[4] If implemented, this change would result in a $33.11 increase for a residential customer utilizing an average of 1,000 kilowatt hours per month.[5]

The basis indicated by GPA for the change in the LEAC factor is primarily the "continuing increase in worldwide fuel prices."[6] The increase in fuel price is also attributable at least in part to "the recent news that OPEC and major non-OPEC producers will extend their existing output cuts for the rest of 2018 and imposed output caps on Libya and Nigeria to support oil prices."[7] GPA believes that the market will remain within the $55-60/bbl. range during the period.[8] GPA also anticipates that the fuel price, effective February 1, 2018, will be $65.78 per bbl. RFO and $83.16 for Diesel.[9]

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[1] Guam Consolidated Commission on Utilities Resolution No. 2017-47, adopted December 7, 2017, at p.2.
[2] GPA Petition to Adjust the LEAC Factor effective February 1, 2018, GPA Docket 18-05, filed December 21, 2017.
[3] Id. at p. 1.
[4] Id.
[5] Id.
[6] Id.
[7] Letter from Acting GPA General Manager John Cruz, to ALJ Fred Horecky, Re: Levelized Energy Adjustment Clause Petition for the period of February 1, 2018 through July 31, 2018, dated December 21, 2017.
[8] GPA LEAC Filing, GPA Docket 18-05, filed December 21, 2017, at p. 1.
[9] Exhibit A to CCU Resolution No. 2017-47.

ATTACHMENT E

GPA proposed that it would recover $10.3M during the LEAC period of the total estimated under-recovery of $17.4M, leaving a balance of $7.1M at the end of this LEAC period.[10]

For the third consecutive LEAC period, GPA has taken proactive steps to lessen the large impact of a LEAC increase upon ratepayers. Rather than recovering 100% of the fuel oil cost under-recovery in this LEAC period, GPA prefers to gradually true-up the fuel oil cost by phasing in increases over subsequent LEAC periods. However, GPA has increased the percentage of the fuel cost that it will recover from 50% to 75% for this period. If GPA only recovered 50%, it would still have an under-recovery of $14.226M at the end of the LEAC period.[11]

Updated figures submitted to the CCU at its December 7, 2017, Meeting indicate that the projected fuel cost under-recovery balance as of January 31, 2018, will be $18.5M.[12]

Fuel prices have been creeping up lately; GPA's concern about the present large under-recovery is understandable. If the under-recovery rate is set too low for the upcoming LEAC period, it could result in an even larger under-recovery for the next LEAC period.

On January 12, the GPA CFO, Assistant CFO, and Legal Counsel met with PUC Counsel to discuss the proposed LEAC increase. In response to PUC Counsel's concern about the substantial ratepayer increase from the proposed LEAC, GPA indicated that it would consider the possibility of a 62.5% cost recovery during this LEAC period.

The PUC has previously determined that, before the LEAC factor is set for a particular period, an updated LEAC fuel forecast price should be prepared based upon the average of the five day period which is ten days before the meeting at which the PUC determines the LEAC factor.[13]

DETERMINATIONS

1. Counsel requested that GPA Assistant CFO Cora Montellano recalculate the average of the MS fuel forecast. On January 22, 2018, Ms. Montellano provided an updated "Proposed LEAC Rate"[14].

[10] GPA LEAC Filing, GPA Docket 18-05, filed December 21, 2017, at p. 1.
[11] Exhibit A to CCU Resolution No. 2017-47.
[12] LEAC Update—LEAC Rate, CCU Board packet, December 7, 2017.
[13] PUC LEAC Order, GPA Docket 15-27, dated January 25, 2016, at p. 2.
[14] Email from Cora Montellano, GPA Asst. CFO, to PUC Counsel Fred Horecky, dated January 22, 2018, with GPA Proposed LEAC Rate, January 15 -19, 2018 Pricing, Updated Filing.

2. To determine updated applicable fuel prices herein, GPA used the average of 5 days forward pricing from Morgan Stanley Asia Noon Call from January 15-19, 2018.[15]

3. While the updated fuel prices indicated that the price per barrel of Residual Fuel oil had decreased from $65.76 to $65.23, the price per gallon of Diesel had increased from $83.16 to $89.86. Overall, the necessary LEAC factor for 75% recovery had increased from $0.150824 per kWh to $0.153177 per kWh.[16]

4. On January 26, 2018, GPA submitted a new proposal for a two-phase LEAC factor increase during the next six month LEAC period.[17] While determining that a recovery of 62.5% of the under-recovery would not be sufficient, it proposed to recover roughly 70% of the fuel cost. Under this approach, the LEAC factor would be $0.147266 per kWh for the first three months of the LEAC period and $0.154242 per kWh for the last three months of the LEAC period. This Summary of the Proposed LEAC Rate is attached as Exhibit "1" to the PUC Counsel Report dated January 29, 2018.

5. For a number of reasons, GPA's two-phase proposal should be adopted. It will result in reducing the present LEAC under-recovery from roughly $18M to $9.14M. With implementation of the proposal, GPA will still not recover the full 100% of the under-recovery.[18]

6. In theory, the LEAC factor is designed to enable GPA to recover 100% of its fuel costs—fuel cost is supposed to be a "pass through" to ratepayers. Although GPA has been proactive in seeking to mitigate the impact of LEAC increases upon ratepayers, it would be contrary to the purpose of LEAC to allow a large under-recovery to continue in existence. It could also be dangerous in a rising fuel price market, as the amount of the under-recovery could increase to the extent that it could not even be recovered over a number of LEAC periods.

7. By phasing in the LEAC increases, GTA is still attempting to mitigate the ratepayer impact. Ratepayers will only be paying a LEAC factor for the first three months that will recover 62.5% of the fuel cost.

8. This two-phase approach is also designed to address the dangers of a rising fuel

[15] Id.
[16] Id.
[17] Email from GPA Legal Counsel to PUC Legal Counsel Fred Horecky dated January 26, 2018.
[18] Id.; phone conversation between Botha and Horecky on January 27, 2018.

price market. In the past week, the Brent Crude Oil Futures Index has shown a considerable rise in fuel oil prices. The LEAC factor must be raised appropriately in anticipation of potential fuel price increases. Otherwise, ratepayers could be subject to even more drastic increases during subsequent LEAC periods.

ORDERING PROVISIONS

After carefully reviewing the record in this proceeding, having considered the LEAC Filing of GPA and the PUC Counsel Report, and after discussion at a duly noticed regular meeting held on January 30, 2018, for good cause shown and on motion duly made, seconded and carried by affirmative vote of the undersigned Commissioners, the Guam Public Utilities Commission hereby **ORDERS** that:

1. The current singular LEAC factors are hereby adjusted, effective February 1, 2018, as shown in the following table:

LEAC Delivery Classification	$ per kWh
Secondary -	$ 0.147266
Primary – 13.8 KV	$ 0.142813
Primary – 34.5 KV	$ 0.142402
Transmission – 115 KV	$ 0.140649

2. The above factors in paragraph one shall be in effect until April 30, 2018. Effective May 1, 2018, the LEAC factors will be adjusted as shown in the following table:

LEAC Delivery Classification	$ per kWh
Secondary -	$ 0.154242
Primary – 13.8 KV	$ 0.149579
Primary – 34.5 KV	$ 0.149148
Transmission – 115 KV	$ 0.147312

   For the entire LEAC period, these changes represent an overall 15.59% increase in the total bill for a residential customer utilizing an average of 1,000 kilowatt hours per month (an increase of $33.09 per month).

3. GPA should file for a change in the LEAC factors to be effective August 1, 2018 on or before June 15, 2018.

4. As requested by GPA, the forecast of the Working Capital Fund Requirement will remain the same, so there will not be a change in the Working Capital Surcharge for the period of February 1, 2018, through July 31, 2018.

5. 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 conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 30th day of January, 2018.

Jeffrey C. Johnson Chairman	Rowena E. Perez Commissioner
Joseph M. McDonald Commissioner	Michael A. Pangelinan Commissioner
Peter Montinola Commissioner	Filomena M. Cantoria Commissioner
Andrew L. Niven Commissioner	