

# Guam Public Utilities Commission

## Citizen Centric Report for Fiscal Year 2013



### About the Guam Public Utilities Commission

PUC is an independent regulatory commission, separate from the Executive and Legislative branches, which has been created by Guam law pursuant to requirements in Federal law. PUC is governed by seven commissioners who serve six-year terms under appointment by the Governor and confirmation by the Legislature. PUC's enabling legislation is contained under Guam Code Annotated Title 12.

Under Guam law, PUC regulates the rates and rate impacting procurements of Guam Power Authority, Guam Waterworks Authority, the Guam Solid Waste Authority, the Port Authority of Guam and the Guam International Country Club (Guam Municipal Golf Course). PUC also has authority over certain aspects of the telecommunication companies that do business on Guam including E911 Surcharge.

The PUC is obligated by law to ensure that rates for each utility are sufficient to fund its necessary operations and to meet its contractual obligations, bond, and other financial obligations. The PUC must also ensure that rates for ratepayers are "just and reasonable," which means that rates reflect the costs of providing such utility services.

### Ratepayer Bill of Rights

When a utility seeks a rate increase, the PUC must conduct proceedings in accordance with the rights of ratepayers under the Ratepayer Bill of Rights. The fundamental rights of the ratepayers include:

- the right to receive clear and adequate notice of any proposed rate increase;
- the right to be fully informed about and to fully evaluate any proposed rate increase, as well as the finances of a Public Utility; and
- the right to give input and participate in any proposed rate increase.

The PUC is required to conduct three public hearings for each rate increase. The PUC conducts various types of hearings on regulatory matters, including requests for rate increases, public opportunity to comment on proposed rulemaking, proposed agency action, and contested or disputed matters between utilities or telecom companies.



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### Mission

The PUC is a regulatory body that sets rates for certain utilities and entities on Guam.

### Commissioners

The Governor of Guam appoints, with the advice and consent of the Guam Legislature:

- 2 members from the business community of Guam,
- 1 member who is a certified public accountant,
- 2 members (each of whom have training experience in at least one of the following areas: power generation, telephone, water/sewer utilities, or marine terminal operations/transportation via ocean common carrier) with an additional requirement that the two members have training or experience in different areas, and
- 2 members who are from the community at large.

The Commissioners during FY 2013 include:

Filomena M. Cantoria  
Jeffrey C. Johnson  
Joseph M. McDonald  
Michael A. Pangelinan  
Peter B. Montinola  
Rowena E. Perez  
Andy Niven



# How We Have Progressed

The Guam Public Utilities Commission strives for just and reasonable utility rates for the residents of Guam. Significant regulatory actions for FY 2013 are listed below. The following table shows a summary of matters heard by the Commissioners at PUC's meetings:

	Number of matters heard	Number approved	Number denied
Guam Power Authority	25	24	1
Guam Waterworks Authority	11	10	1
Telecommunications	7	7	0
Guam International Country Club	0	0	0
Port Authority of Guam	8	7	1
Guam Solid Waste Authority	1	1	0

## Guam Power Authority

- PUC approved a rollback of the rate increase of \$9.1M, which had been effective May 1, 2012. GPA was authorized to implement Rollback credits to customers on their power bill for a ten month period.
- The PUC approved an overall 6% base rate increase, or a 1.9% average increase on the total bill, for meters read on and after October 1, 2013.
- Every year, the PUC sets the "levelized energy adjustment clause" for ratepayers. The LEAC sets the price per kWh that ratepayers must pay for fuel. In Feb. 2013, the LEAC was increased by 8.34%; in Aug. 2013 the LEAC was decreased by 9.3%.
- PUC authorized GPA to expend up to \$4.5M for repairs to the Cabras 3 Rotor and shaft.
- PUC authorized GPA to continue to collect a "self-insurance" surcharge from customers up to a "cap" of \$20M; the surcharge allows GPA to recover from losses caused by natural disasters such as typhoons, earthquakes and other unanticipated/extraordinary events.
- PUC "conditionally" approved GPA's 2013 Integrated Resource Plan [IRP]; the plan proposes a conversion of power plants and fuel sources to Liquefied Natural Gas. GPA must provide a detailed implementation plan and additional information concerning numerous issues.
- PUC authorized GPA to purchase oxygen catalysts, smoke stacks, and other equipment for ten diesel peaking units; this equipment is required so that GPA can comply with air quality and environmental compliance standards under the new United States Environmental Agency "RICE MACT" Rules.
- PUC authorized GPA to expend bond funds for a major overhaul of the Cabras1 plant.

## Guam Waterworks Authority

- The PUC approved a 9.15% increase on GWA's Basic Non-Lifeline and Lifeline water and sewage rates to be assessed through FY2013, commencing February 1, 2013. PUC further approved a reduction of the Legislative Surcharge from 5.6% to 2.63% commencing February 1, 2013.
- PUC granted GWA's expedited petition for approval of the reallocation of \$7.57M of 2010 Bond funds; the reallocation will enable GWA to implement water and wastewater improvement projects required by the District Court Stipulated Order.
- PUC agreed to stay proceedings concerning GWA's \$20M obligation to the Government of Guam pending settlement discussions between the parties in court litigation.
- PUC approved GWA's request to procure a Performance Management Contractor for the Wastewater Collection System.
- PUC approved a five year contract between GWA and Eurofins for water testing and laboratory services in the amount of \$2.8M. The testing is necessary so that GWA can comply with federal and local water quality standards.

## Telecommunications

- PUC approved the sale/transfer of ownership and control of Guam Telecom LLC to Docomo Guam Holdings Inc., subject to conditions. PUC found that applicants had sufficient technical, management, and financial resources to continue to provide the same telecommunications services after the transfer of ownership. The transfer was not "contrary to the public interest."
- PUC approved the Joint Application of GTA Telecom and Teleguam Holdings LLC to assign and transfer the Interconnection Agreement with Pacific Data Systems Inc. from Telecom to Teleguam.
- PUC approved a Stipulation between MCV, GTA, and Guam Power Authority concerning appropriate charges by GPA to all telecommunication companies for power pole attachments. The PUC approved a pole attachment rate of \$6.00 per pole per year for a period of five years ending November 30, 2017.
- PUC approved a permanent tariff for GTA's "Emergency Line Service." This service provides a "CAP" line service to customers who subscribe to broadband services. The tariff promotes the ability of GTA customers to call E911 for emergencies and to call GTA for repairs.



## Guam International Country Club

- No rate increases have occurred since 2008.

## The Port Authority of Guam

- PUC approved the Port's Sales Agreement and Interim Maintenance Agreement related to the PAG acquisition of the Port of Los Angeles ["POLA"] cranes owned by Matson Navigation Company and Horizon Lines LLC. PAG was ordered to develop a structured maintenance program for the cranes, to make certain repairs, and to report back to the PUC concerning other actions taken. PAG was further to establish a POLA crane surcharge of \$125 for each inbound, outbound, and transshipment container handled at the Port. PAG was required to assess a \$5 surcharge per ton with a charged cap at \$105 per unit/item effective January 1, 2013, to be applied to both foreign and domestic carriers.
- PUC approved the PAG Contract for the renovation and site improvement Phase II project at the Gregorio D. Perez Marina in the amount of \$1.7M.
- PUC approved the Port's Contract for construction of a fully integrated command center facility for implementation of protective and security measures. The facilities will assist in emergency and disaster response. The costs of \$1.7M will be funded through federal grant.

## The Guam Solid Waste Authority

- In accordance with PL 32-31, the PUC approved adopted a protocol that allowed distribution of solid waste tipping fees directly to the Village Mayors of the "host Communities" (Ordot/Inarajan). Previously such funds had been paid to the Department of Administration. The Protocol provided certain requirements for distribution of solid waste tipping fees including uses for community benefit approved by resolution of the Municipal Planning Council.

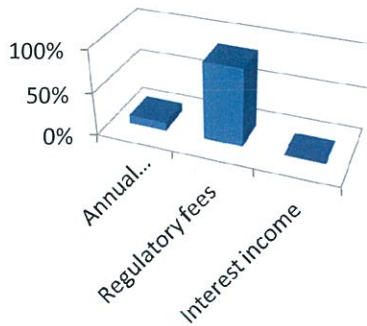




# Revenues and Expenses

## Revenues

For the Fiscal Years Ended September 30, 2013 and September 30, 2012

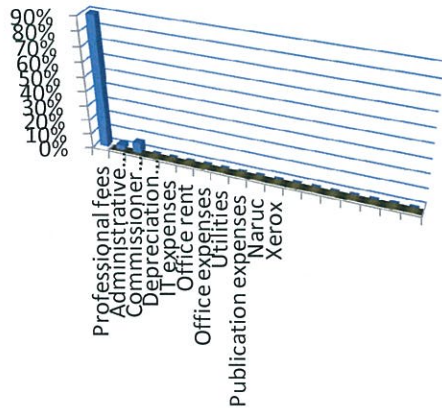


Revenues	2013	2012	% Change
Annual assessment	\$ 381,750	\$305,105	20.1%
Regulatory fees	\$1,006,781	\$1,018,943	1.2%
Interest income	\$ 473	475	.42%
Total*	\$1,389,004	\$1,324,523	4.6%

\*Amounts may not add due to rounding.

## Expenses

Fiscal Years Ended September 30, 2013 and September 30, 2012



Expenses	2013	2012	% Change
Professional fees	\$1,180,791	\$1,214,778	2.9%
Administrative expenses	42,000	40,000	5.0%
Commissioner expenses	74,831	16,803	77.6%
Depreciation expenses	-	-	-
IT expenses	11,023	9,438	14.4%
Bad debts	-	-	-
Office rent	28,713	26,463	7.8%
Office expenses	2,967	4,181	40.9%
Utilities	4,331	4,239	2.1%
Publication expense	17,941	19,107	6.5%
Naruc expenses	1,678	1,650	1.7%
Xerox	3,643	3,693	1.4%
Total*	\$1,367,918	\$1,340,352	2.0%

\*Amounts may not add due to rounding

## Operational Expenses

PUC's operational expenses can be divided into two categories and are budgeted and collected as follows:

- General administrative expenses, which are budgeted each fiscal year by PUC and divided and assessed among the regulated utilities.
- Regulatory expenses, which are incurred pursuant to a Commission resolution, dated August 13, 2007. These expenses include professional and out-of-pocket expenses, which are billed to specific utilities under regulatory dockets assigned to them to cover the expense of handling specific regulatory proceedings related to them. FY2013 professional fee expense increased due to the number of rate proceeding matters before the PUC.

## Administrative Budget

The administrative budget covers the Commission's administrative expenses, including staff, office facilities, Commissioner Stipends and training, professional fees, and other operational expenses.

PUC is classified as another stand-alone governmental unit, not a component unit of GovGuam, and therefore is not included in the annual GovGuam audits. Most recent financial statements can be found at PUC's website at <http://www.guampuc.com/about-us>. Previous financial statements can be found at the Guam Legislature's website at <http://www.guamlegislature.com>.



# Outlook and Challenges Ahead



## PUC's Outlook

For the first time in many years, the PUC now has a full complement of seven Commissioners. This should help to assure that the PUC will continue to be able to handle its caseload in a professional and timely manner. The caseload of the Public Utilities Commission spans a diverse and broad area of regulatory responsibility including power, water, telecommunication, port operations, and solid waste. As a result, the PUC has been required to hire regulatory consultants that can assist it with its broad range of regulatory supervision duties. At the same time, the PUC is attempting to limit its own regulatory costs with competitive pricing and defined scopes of work. The PUC has also focused on the increasing consulting costs incurred by the utilities and is carefully reviewing such costs to insure that they are in the best interests of the ratepayers.

In FY2013, the caseload remained constant with that of the last few years. PUC has been able to handle its workload with a small staff and within available regulatory resources.

## Likelihood of Future Rate Proceedings

There will likely be rate proceedings for GPA, GWA, and PAG during FY2014. It is foreseeable that rates may increase for some or all of these utilities. Rates of GSWA are still within the purview of the District Court of Guam. The Receiver has indicated that current GSWA tipping fees are not sufficient to pay the Authority's expenses and debt service on bonds.

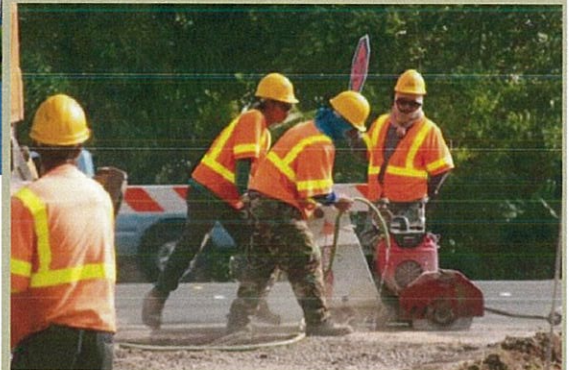
Despite the challenges, the Commission is committed to handling its duties in the upcoming year in a professional and efficient manner while ensuring that rates continue to be just and reasonable.



Prepared by: PUC Administrator Lourdes R. Palomo and PUC Legal Counsel Frederick J. Horecky

## Commissioner Vacancies

The Public Utilities Commission currently does not have any commissioner vacancies. PUC's enabling legislation mandates that any PUC action requires the affirmative vote of four commissioners at a meeting with a quorum of four commissioners.



*We want to hear from you! Do you like this report? Do you think it should contain any other information? Please call Lourdes Palomo, Public Utilities Commission Administrator, at (671) 472-1907.*