

GUAM PUBLIC UTILITIES COMMISSION
SPECIAL MEETING
MARCH 26, 2012
SUITE 202, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a special meeting commencing at 7:24 p.m. on March 26, 2012, pursuant to due and lawful notice. Commissioners Johnson, Cantoria, McDonald, Perez, and Pangelinan were in attendance. The following matters were considered at the meeting under the agenda made *Attachment "A"* hereto.

1. Approval of Minutes

The PUC reviewed the minutes of the meetings conducted on February 6, 2012, and February 22, 2012. Upon motion duly made, seconded, and unanimously carried, the minutes were approved, subject to correction.

2. Ratification

The Chairman indicated that there were a number of matters before the Commission for "ratification" [These are matters in which the Chairman issued orders, with the present need for full ratification by the Commissioners].

- a. CP Docket 11-01 [iConnect Request for Determination on Jurisdiction to Designate Eligible Telecommunications Carrier Status].

Counsel indicated that the Chairman, by Order, approved Choice Phone dba iConnect's request that the PUC decline jurisdiction over Choice Phone's petition to designate eligible telecommunications carrier status in Guam and Saipan. As the Guam PUC lacks jurisdiction over the Saipan Petition, it is proper for Choice Phone to file their application with the Federal Communications Commission. Upon motion duly made, seconded and unanimously carried, the Commissioners ratified the Chairman's Order declining jurisdiction.

- b. GT Docket 11-03 [Petition for Annual USAC Certification].

Counsel indicated that the Chairman had signed the annual USAC Certification for Guam Telecom on the ground that it provides the nine telecommunication services required by the FCC and the Universal Services Administration; GT agreed that such federal funds would only be used for the purposes designated by USAC. GT also had provided a five year plan; thus all requirements were met. Upon motion duly made, seconded and unanimously carried, the

Commissioners ratified the Use Certification by the Chairman for Guam Telecom.

- c. GTA Docket 11-13 [Joint Petition of GTA Telecom LLC and PTI Pacifica Inc. for Approval of Interconnection Agreement].

Counsel indicated that GTA and PTI agreed to follow the same interconnection agreement that Telecom has with Pacific Data Systems Inc. So that the parties could proceed with their interconnection agreement, the Chairman had executed an order approving the agreement and authorizing the parties to enter into the agreement. Upon motion duly made, seconded and unanimously carried, the Commissioners ratified the Chairman's Order authorizing the parties to enter into their Interconnection Agreement.

- d. GT Docket 12-01 [GT General Exchange Tariff No. 1].

GT sought to increase the amount of its business line and key line service from the approximate amount \$28.00 to \$30.00 in each case. With such increases, GT's rates were still competitive with those of other carriers. Upon motion duly made, seconded and unanimously carried, the Commissioners ratified the Order executed by the Chairman which approved the increases sought by GT for business line and key line services.

3. Guam Waterworks Authority

The Chairman announced that the next order of business was GWA Docket 12-01, Rate Request for Leachate Treatment of Leyon Landfill, ALJ Report, and Proposed Order. Counsel indicated that the District Court has required that the PUC set a rate for the treatment of leachates from the Leyon Landfill. This is the charge that GWA charges to parties when it treats leachate. The Court appointed receiver, GBB, owes certain amounts to GWA for treatment of leachate. GWA also owes GBB certain amounts for collection and disposal of the sludge from the leachates. The Administrative Law Judge Mair indicated that GWA and GBB agreed that there would be a rate assessed to GBB of \$14.19 per thousand gallons of leachate. This would be an interim rate, and GWA reserves the right to conduct a cost of service study later to determine if such rate is adequate.

The ALJ determined that the proposed rate was reasonable and within the range of other wastewater treatment plants in terms of the amount charged. The ALJ recommends that the Commission approve the leachate rate of \$14.19 per thousand gallons. However, the parties should be ordered to file a written stipulation reflecting such agreement. The ALJ has prepared an Order for the Commissioner's consideration which incorporates his recommendations. The ALJ also noted that GWA has an approximate debt to GBB in the amount of \$600,000. Commissioner Perez clarified that the rates owed by GBB and GWA to

each other were likely not "a wash." Commissioner Perez asked how GWA came up with the rate of \$14.19. Mr. Greg Cruz, the CFO of GWA stated this rate was the "commercial three class rate." GWA was reserving the right to conduct a cost of service study. Commissioner McDonald asked whether the proposed rate would cover GWA's cost. Mr. Cruz indicated that the issue would have to be addressed later in a cost of service study. Commissioner Pangelinan clarified that the parties needed to file a stipulation. Upon motion duly made, seconded and unanimously carried, the Commissioners moved to approve the leachate rate, as recommended by the ALJ, subject to the submission of the stipulation by the parties. The Order approved is made *Attachment "B"* hereto.

The Chairman stated that the next matter for consideration by the Commissioners was GWA Docket 12-02, Contract Review for Property Insurance, ALJ Report and Proposed Order. Counsel indicated that GWA was requesting that the PUC approve its property insurance policy, which includes property, general liability, directors and officers, automobile, primary insurance, etc. The total cost of its proposed contract for insurance premiums is approximately \$6M. GWA is required to maintain such insurance under its Bond Indenture. The ALJ Report recommends that the PUC approve the contract for insurance with AM Insurance.

The Chairman questioned why the general liability insurance had a different timeframe than the other coverages. Greg Cruz, the CFO of GWA, indicated that liability insurance was driven by exposure when it comes to sales. He indicated that GWA selected the three year option for this particular coverage. Commissioner Perez asked what the cost would be per year. Mr. Cruz indicated that under the existing policy GWA was paying about \$1.8M per year. However, under this contract, the price would be down to \$1.2M per year. Commissioner McDonald confirmed that the cost of the insurance was \$1.2M per year. Commissioner Cantoria asked why there were so few bidders and whether others were interested. Mr. Cruz stated that there were eight companies who registered and picked up bids but there were only two formal submittals of a bid. One had to be dismissed because it didn't meet GWA's credit quality rate.

Commissioner Cantoria indicated that insurance coverages could have been split under the bid. Mr. Cruz agreed and stated that technically GWA could have awarded insurance coverages to different insurance companies. The Chairman clarified with Mr. Cruz that AM won on all five of the bids. Commissioner Pangelinan asked whether the reinsurers listed under AM's policy were all admitted under Guam's licensing law. Mr. Cruz indicated that they were and were required to provide evidence of licensure in Guam (including the reinsurers). Upon motion duly made, seconded and unanimously carried, the Commissioners approved GWA's award of the insurance contract to AM Insurance. The Commissioners adopted the Order made *Attachment "C"* hereto.

4. Guam Power Authority

The Chairman announced that the next matter for consideration by the Commissioners was GPA Docket 10-03, Filing Regarding Fuel Hedging Program, Georgetown Report, and proposed Order. Counsel indicated that GPA has proposed a new, rather complicated, model for its Fuel Hedging Program. The program involves call options, puts, and an array of instruments that can be used to hedge the fuel cost. The formula is predictive and indicates when an investment should be made depending on the applicable objectives at the time. Georgetown concluded, after detailed examination of the formula, that the fuel hedging proposal of GPA, with conditions, should be adopted.

GCG noted that, had this new predictive formula been used in 2008 when fuel prices crashed ("back-casting") results would have been far more favorable to ratepayers than they actually were. Georgetown also concludes that the success of the program will require a considerable investment of personnel and resources by GPA. A number of internal GPA committees will guide the process. The formula plugs in variables and figures to determine when GPA should engage in hedging activities. Georgetown further recommends that GPA's Consultant, SAIC, shadow GPA in implementing the new fuel hedging program for a period of at least six to twelve months. Georgetown has made 14 recommendations, and those have been included in the proposed Order. GPA has agreed to comply with such recommendations.

Under the proposed Order, GPA would also be required to report the progress of its fuel hedging program in the twice yearly LEAC filings. Audits would also be done of the program. The proposed Order would approve GPA's Fuel Hedging Program with recommended conditions. Bill Blair, Attorney for GCG, indicated that GPA and its consultant put in a lot of effort in working with GCG to educate them on the process. GCG was impressed by the product. The main concern of GCG is that GPA will have to invest considerable effort into this project. The recommendations do not need to be done by GPA immediately, but can be done in the future. Approval should not be conditioned upon compliance with all of the recommendations.

The Chairman asked GPA officials whether they were comfortable with the implementation of the program. CFO Randy Wiegand indicated that the formula and pricing will be examined daily. GPA's CFO confirmed that the program would involve a hybrid of calls, puts, and zero cost collars. The CFO also confirmed that SAIC would be monitoring the program for more than 12 months. In response to the Chairman's questioning, CFO Wiegand indicated that GPA is now hedging 25% of its fuel. Commissioner Perez asked who would be monitoring the project. General Manager Flores indicated that the procedures require a Fuel Committee with two independent persons reporting to the

Committee. Mr. Blair pointed out that there were many checks and balances in the program.

Commissioner Perez inquired whether, given that involved individuals already had other duties for GPA, more personnel would be required in operating the program. General Manager Flores indicated that GPA would continue to work with the existing personnel. However the problem with fuel was recognized to be one of the biggest problems at GPA. Assistant CFO Montellano indicated that at least six people on the fuel committee would be addressing these issues. Commissioner Perez asked whether trials have been done of the program. GM Flores indicated that several had been done during training and with the "back-casting." Ms. Montellano indicated that at least 50 days of pricing were required to run the model and show GPA how much it needs to hedge each month.

Commissioner Cantoria asked how often GPA was monetizing fuel hedging losses. GM Flores indicated that the model evaluates whether GPA is achieving the objectives that were set in the first place. This model will indicate when there is an opportunity to monetize gains and to cut losses and terminate existing placements depending on the situation looking forward. This model allows you to evaluate performance against a certain objective at the time the instruments were placed. Commissioner Cantoria asked what the cost was to GPA for buying this particular program. CFO Wiegand indicated that it was around \$70,000. Upon motion duly made, seconded, and unanimously carried, the Commissioners approved the GPA Fuel Hedging Program and adopted the Order made *Attachment "D"* hereto.

The Chairman announced that the next item for consideration on the Agenda was GPA Docket 12-01, Petition for Approval of Regulatory Services Contract with R.W. Beck, PUC Counsel Report, and proposed Order. Counsel stated that GPA was seeking approval of its contract for regulatory services with R.W. Beck and to pay for some additional services. The contract has been in effect for over two and a half years. R.W. Beck's services have been utilized by GPA for many regulatory matters including fuel hedging, nuclear options, preparation of the rate case, the working capital fund, the cash reserve study and the 10 year financial plan.

Apparently GPA initially thought that the contract would not exceed \$1.5M as a multi-year contract. However, with the additional amounts requested by GPA, the contract would now exceed \$1.5M. The amount of \$50,000 in costs relate to the rate case and preparation of testimony. The largest component of these contract costs is for the rate case. Of the \$300,000 additional amount requested by GPA, \$50,000 would pay R.W. Beck for work on the rate case. The balance of the \$300,000 (\$245,000) would be used to pay Beck for the consulting engineers' report. The Consulting Engineers Report is normally needed for a bond

issuance. GPA stated that this report would be "a part of GPA's official statement for the upcoming bond issuance."

The \$50,000 requested is for services that R.W. Beck did perform and should be paid. However Counsel was surprised that a bond issuance was now so imminent. Usually a consulting engineer's report is required when GPA is far along in the bond issuance process. Such report is a predicate for a bond issuance. Counsel recommends that, in the proposed Order, GPA be required to report about its bond financing and issuance plans on a monthly basis, and to explain what was meant by the "upcoming bond issuance" in the CCU Resolution. Nevertheless, Counsel does feel that GPA should be given an opportunity to present a case on bond issuance and whether it's feasible. It should have the opportunity to look at ways to save ratepayers money, if it believes that it can do so through a bond issuance or refinancing-- a chance to make the case. However the Order would clarify that approval of these expenditures would, in no manner, be an approval of any bond issuance. Reporting requirements would be imposed on GPA.

In response to questioning by Commissioner Perez, CFO Wiegand indicated that somewhere close to 1.5M had been expended to date under this contract. CFO Wiegand stated that, as a result of conversations with GPA's bond underwriter, GPA itself, and not the underwriter, will be required to hire the consulting engineer. GM Flores indicated that, since with the proposed task order the contract review threshold with R.W. Beck would be exceeded, GPA had to file its petition for contract review. Commissioner Perez questioned whether the PUC would be bypassing procurement procedures here. GM Flores indicated that there is an existing contract in accordance with the procurement process and task orders can still be issued to Beck consistent with the scope of work.

Commissioner Perez asked whether the contract had maximum amount. GM Flores indicated that it was indefinite, a contract where task orders could be approved for a variety of different services. GPA was rebidding the contract now. Counsel indicated that he had a copy of the contract, which was entered into in 2009 for a period of five years with three options to renew. It covers a broad range of regulatory services. The contract is on a task order basis and is still in effect. CFO Wiegand indicated that notice had been provided to Beck that it intends to terminate the contract early. GM Flores indicated that GPA was terminating the contract this year, and then GPA would go out with a new RFP. Commissioner Perez asked whether bond issuance was already decided upon, as the 2010 experience was rushed and its rate impact for 2014 was unknown. Mr. Wiegand stated that the CCU has not approved a new bond issuance. Commissioner Perez stated her belief that GPA was already anticipating a new bond issue; the petition for contract review specifically indicated that engineering services for a proposed bond issuance were necessary.

Commissioner Perez asked GPA officials what they were considering for a next bond issuance. GPA CFO Wiegand indicated that it would be "a refinancing and restructuring" to try to avoid 2013 and 2014 ratepayer impacts of debt service requirements. The Chairman asked whether GPA was anticipating a potential reduction in the base rate over the near term period of time. GM Flores indicated that the anticipated reduction of \$8M would be a significant reduction on an annual basis. The Chairman asked GPA as to how large the next bond issuance was anticipated to be. CFO Wiegand stated \$145M. A further discussion ensued about the expected interest rate for the next bond issuance, and the rates on existing bonds of GPA. Commissioner Cantoria stated that the issue before the Commission was approving the Beck relationship. The bond issue should be the subject of another presentation. The Chairman stated that the issue was whether the Commission would approve the expenditure of \$300,000 for Beck.

Commissioner Pangelinan asked whether GPA could negotiate with Beck and reduce the contract amount. Mr. Wiegand stated that the contract amount was \$300,000, and that GPA pushed them as far as they can go. Commissioner Pangelinan asked whether Beck could accept a little lower in that the contract amount was not originally approved. Upon motion duly made and seconded and unanimously carried, the Commissioners approved GPA's petition for approval of Regulatory Services with R.W. Beck, but reduced the amount from \$245,000 to \$200,000 for the work on the Consulting Engineer's Report. The Commission adopted the Order made *Attachment "E"* hereto.

The Chairman announced that the next item of discussion was GPA Docket 12-02, Application Requesting Approval of the Buyout of the Lehman Brothers Investment Contract, GCG Report, and Proposed Order. Counsel explained that, in September 2000, GPA entered into a Bond Reserve Forward Delivery Agreement with Lehman Brothers. GPA had a very similar agreement with Bank of America. At that time GPA received over \$6.3M in cash up front from Lehman. What GPA gave up was the right of Lehman to control the proceeds for the investment of \$13.7M of the bond reserve fund that GPA is required to maintain. Normally GPA would invest and obtain interest from the \$13.7M; instead, GPA opted to obtain cash up front and in turn give up the right to invest the funds or receive interest therefrom.

GPA alleges that, with regard to the 2010 bond issuance, it wanted to refinance bonds at the time. However the existence of this agreement with Lehman caused problems which rendered GPA unable to refinance the bonds. Recently Lehman offered an opportunity to GPA to buyout the contract for an upfront payment of \$4.5M in cash. If GPA pays the \$4.5M to Lehman, it will get back the right to control the investment proceeds from the bond reserve fund.

However, as GCG points out, at this point we do not know whether GPA would be able to buyout the similar Bank of America agreement, and what the terms for that buyout will be. Nevertheless GPA wants more flexibility to consider opportunities to refinance or restructure its current bond obligations.

GPA has submitted cash scenarios and calculations from Morgan Stanley indicating savings that could be garnered from refinancing. However, such calculations were only filed a few days ago, and the order and other materials in this docket had already been prepared. GCG did not have the opportunity to fully review the Morgan Stanley submittals, so they should not be considered. Since these figures were not presented earlier, it's difficult to evaluate the petition in this case based upon information that came across the table very late in the game. In evaluating the petition, GCG did not find a direct benefit from the upfront cash payment. GPA indicates that the present value obtained would be between \$4 and \$4.5M, although GPA would obtain some money back, it would lose the upfront amount of the payout. The petition of GPA indicated that it could achieve savings of \$200,000 a year. That amount is small and speculative, and there are uncertainties that even GPA has admitted to concerning the bond market.

GCG concludes that the buyout is not prudent. Furthermore, GPA wants to pay Lehman with \$3.1M in excess bond funds the Commission previously allocated for bond project cost overruns. In the pending rate case, GPA also talked about using the same \$3.1M as unrestricted cash funds, to reduce the impact of the rate case. GPA has already proposed using the funds to give it more available cash and to extend the number of days cash that GPA has on hand. If GPA were now allowed to use the \$3.1M to payoff Lehman, that could affect the rate case. Furthermore, GPA wishes to pay the balance that would be owed to Lehman of approximately \$1.38M from the "self-insurance" fund. That fund is for repair of damages caused by typhoons and natural disasters. Counsel questions whether self-insurance funds were properly used to payout a contract such as this. At the present GPA has not fully explained the alleged benefits of refinancing. However, the PUC needs to know what the terms of the buyout with Bank of America would be.

The proposed Order would deny the petition for approval of the Lehman Brothers contract buyout. The benefits alleged are speculative and do not justify the cost involved. The presently restricted funds of \$3.1M should not be used for a buyout nor should the self-insurance funds be used for the buyout. GPA has not really proved a substantial benefit from the transaction. The Commission can keep the door open for the future if GPA can come back with figures that would show that there is a more concrete benefit to the ratepayers from a refinancing. Mr. Blair reemphasized that GCG was not provided with the updated Morgan Stanley information that GPA seeks to present, nor has it had a

chance to fully examine such information. Also, GPA might have an opportunity later to buyout the Lehman contract, as Lehman is in bankruptcy and the creditors committee will be looking to cash out this contract; Lehman previously offered a substantial discount. Furthermore, if the \$3.1M not be made available as unrestricted cash in the rate case, there will be additional pressure on the 2014 rates. This matter is not so urgent, and GPA can come back later to fully present the best scenario.

Commissioner Perez asked why, as indicated in par. 6 of the GCG Report, the balance in GPA's Working Capital Fund (which was previously over \$28M) is now at \$18.6M. Mr. Blair indicated that the WCF is going to be short because of the higher working capital requirement associated with the higher price of fuel. In the rate case the working capital fund requirement is going to increase from where it was, about \$28M, to something between \$30-\$32M. GPA has had to dip into the working capital fund to make a fuel payment with a check for nearly \$4M to pay the fuel supplier. In response to questions from the Chairman, GM Flores indicated that GPA was under recovering at present under the LEAC. Upon motion duly made, seconded, and unanimously carried, the Commissioners denied GPA's request for approval of the buyout of the Lehman Brothers Investment Contract; the Commissioners adopted the Order made *Attachment "F"* hereto.

5. GTA TeleGuam Holdings LLC

The Chairman announced that the next item of business was GTA Docket 12-01, Filing for Individual Case Basis (Joint Region Marianas, Guam), Amended PUC Counsel Report, and Proposed Order. Counsel indicated that, due to some additional developments in this docket, he had filed a Supplemental Counsel Report herein. Previously, at the last meeting, the Commission had suspended the ICB application until it was acted upon by the PUC (pursuant to a stipulation of GTA). Pacific Data Systems Inc. filed public comments opposing the ICB application. It raised a concern that the current tariff arrangements were defective and contrary to regulation. However, those tariff concerns are going to be addressed in GTA Docket 11-14, not in this docket, as to the overall tariff arrangements that exist. The statute cited by PDS does not appear to apply, as in GTA Docket 11-14, there is not a utility acquiring ownership or control of another utility. In the present case TeleGuam already owns Telecom.

PDS raises issues concerning GTA compliance with a PUC Order in a prior Docket, 05-03. In that docket GTA proposed a special tariff rate; here there is an ICB application. What happened in Docket 05-03 is not dispositive here. Another issue mentioned by PDS was that GTA had not presented an LRIC study on its proposal to offer dry copper wire no. 2 and no. 4 to the military. GTA has fixed that problem by submitting an LRIC study which shows that the

copper wire prices charged to JRM are not below the incremental cost. The proper report has been submitted.

However, one issue does need to be addressed, as GCG and Counsel have pointed out. The ICB requirements have been satisfied by GTA; however GTA is giving a cost of \$.10 per DID number assignment to the military, but a charge of \$2 per DID number assignment to business and civilian customers. That is quite a disparity. The question arises as to why the differential is so substantial. Counsel and GCG recommend that the ICB be approved; however the ALJ should be authorized to commence a separate docket for a determination as to whether the ICB prices for DID services are discriminatory with regard to non-Department of Defense customers. Upon motion duly made, seconded and unanimously carried, the Commissioners approved GTA's ICB Filing for Joint Region Marianas and adopted the Order made *Attachment "G"* hereto.

The Chairman announced that the next item on the Agenda was GTA Docket 11-14, Joint Application of GTA TeleGuam, LLC, and GTA TeleGuam Holdings, LLC, for approval for the Assignment and transfer of Telecom's Certificate of Authority and Eligible Telecommunication Certificate to GTA TeleGuam Holdings, LLC, ALJ Report, and proposed Order. Counsel indicated that a public hearing had been held on this matter. GTA is basically seeking to consolidate its organization under TeleGuam Holdings. The consolidation would clarify that GTA's tariffs apply to TeleGuam. The subsidiaries under TeleGuam, such as Telecom, GTA Services, and Pulse Mobile, would become divisions in GTA instead of separate LLCs or separate entities. Nothing in the law prohibits GTA from reorganizing its corporate entity.

There are two main requirements in the statute for Telecom to transfer its Certificate of Authority to TeleGuam: the applicant must possess sufficient technical, financial, and managerial resources and abilities to provide the telecommunications services in Guam for which it seeks a certificate of authority. Second, the granting of the certificate of authority to the applicant must not be contrary to the public interest. The Commission previously found that TeleGuam does have sufficient technical, financial, and managerial resources to provide telecommunications services. In GTA Docket 11-09, the Commission's Order found that TeleGuam does possess the requisite resources. The Commission should find that TeleGuam will continue to possess the same technical, managerial, and financial resources that it has had, and that it will be able to provide telecommunications services to the people of Guam.

PDS has raised concerns as to whether Telecom and TeleGuam have satisfied the public interest requirement. Although issues of violations by GTA in Docket 08-11 and 09-03 were raised, GTA has taken substantial steps to rectify those problems. The violations were addressed. Such issues do not serve as a basis for

finding that this transfer would be contrary to the public interest. Approval of the application in this case will clarify that the existing general exchange tariff applies to TeleGuam.

PDS also raised concerns as to how the new corporate structure of GTA will comply with the affiliate transaction rules. Through the proposed reorganization, GTA would no longer have any affiliates. GTA has presented a convincing argument that, even after the reorganization, the affiliate transaction rules will still apply to GTA. Rule 7 of such rules will continue to provide that GTA, as the dominant carrier that provides both regulated and non-regulated intrastate services, will still be required to allocate intrastate investments, expenses, and revenues between regulated activities and non-regulated activities. According to the principles, procedures, and accounting requirements in Part 32 and Part 64, under the existing rule, GTA will still be required to properly allocate a portion of the costs of its services. Rule 5 will continue to prohibit cross-subsidization. GTA still will not be able to use revenues from non-competitive services to subsidize services subject to competition.

In Rule 6 GTA will still be required to comply with the Uniform System of Accounts adopted by the FCC in Part 32. All local rules, the federal law, and the Federal Code of Regulations will continue to apply to GTA and prevent cross-subsidization. GTA will also make revisions and reforms to its cost allocation manual. A CAM will be submitted to the Commission for approval. GTA is also subject to rigorous auditing by independent auditors appointed by the FCC, Office of the Inspector General. However, there has not been a showing that the transfer of the COA from Telecom to TeleGuam is contrary to the public interest. Counsel further believes that the PUC does have the authority to transfer the Eligible Telecommunications Certificate from Telecom to TeleGuam.

A final issue was raised concerning whether GTA has complied with a provision of its Asset Purchase Agreement with the government of Guam with regard to deployment of Wi-Fi technology in the public schools. Counsel concludes that any such obligation was conditional and he cannot presently conclude that GTA is in violation of that provision. Counsel recommends that the PUC approve the Joint Application authorizing the transfer of the COA from Telecom to TeleGuam, and that the ETC Certificate also be transferred to TeleGuam. However, such Orders should be conditional upon TeleGuam satisfying all the requirements of the FCC and obtaining all necessary approvals. Other conditions are placed in the order that would require GTA to bear the cost of any necessary amendments to interconnection agreements with other telecommunications carriers. TeleGuam must honor all such existing agreements, and accept liability for all deposits of the carriers. TeleGuam must revise its cost allocation manual, and submit it to the Commission within 120 days from the date of the Order.

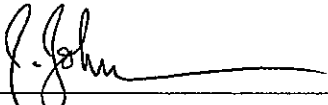
Commissioner Perez asked whether the conditions had been presented to GTA. Counsel indicated that they were. No concerns were noted. Upon motion duly made, seconded, and unanimously carried, the Commissioners approved the Joint Application to transfer the COA and ETC from Telecom to TeleGuam; the Commissioners approved the Order made *Attachment "H"* hereto.

6. PUC Website

The Commissioners then moved to go into Executive Session to discuss the procurement for, and selection of, a vendor for Website Services. After the Commission reconvened in Open Session, Commissioners asked further questions concerning the providers. Commissioner Perez suggested that the Administrator Ms. Palomo meet with the providers that were being considered. Upon motion duly made, seconded, and unanimously carried, the Commissioners instructed the Administrator to meet with each of the two potential providers.

7. Administrative Matters

Counsel indicated that the matter of the Telecommunications Consultant for the PUC was still pending. He further requested that there be two meetings in April, as there was a deadline for resolution of GTA Docket 11-06 on Metro Ethernet Services. Counsel indicated that the GPA Rate Case was also pending, and that GPA hoped to have new rates effective May 1. Counsel also indicated that there were pending public hearings on the GPA rate case. A discussion ensued concerning the possibility of a stipend for the Commissioners. There being no further business, the Commissioners moved to adjourn the meeting.



Jeffrey C. Johnson
Chairman

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION
SPECIAL MEETING
SUITE 202, GCIC BUILDING
414 W. SOLEDAD AVE. HAGATNA, GUAM
7:00 p.m. March 26, 2012**

Agenda

- 1. Approval of Minutes of February 6, 2012, and February 22, 2012.**
- 2. Ratification**
 - Order, CP Docket 11-01, iConnect Request for Determination on Jurisdiction to Designate Eligible Telecommunications Carrier Status, PUC Counsel Report, and Proposed Order
 - Use Certification, GT Docket 11-03, Petition for Annual USAC Certification, PUC Legal Counsel Report, and Use Certification.
 - GT Docket 11-13, Joint Petition of GTA Telecom LLC and PTI Pacifica Inc. for Approval of Interconnection Agreement pursuant to Section 252 of the Telecommunications Act of 1996, PUC Counsel Report and Proposed Order
 - GT Docket 12-01, GT General Exchange Tariff No. 1, Tariff Transmittal No. 4, PUC Counsel Report, and Proposed Order
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- 3. Guam Waterworks Authority**
 - GWA Docket 12-01, Rate Request for Leachate Treatment of Layon Landfill, ALJ Report, and Proposed Order
 - GWA Docket 12-02, Contract Review for Property Insurance, ALJ Report Re: Approval of Contract, and Proposed Order
- 4. Guam Power Authority**
 - GPA Docket 10-03, Filing Regarding Fuel Hedging Program, GCG Report, and Proposed Order
 - GPA Docket 12-01, Petition for Approval of Regulatory Services Contract with R.W. Beck (dba SAIC), Supplemental Materials, PUC Counsel Report, and Proposed Order
 - GPA Docket 12-02, Application requesting Approval of the Buyout of the Lehman Brothers Investment Contract, GCG Report, and Proposed Order
- 5. GTA Teleguam Holdings LLC**
 - GTA Docket 12-01, Filing for Individual Case Basis (Joint Region Marianas, Guam), Amended PUC Counsel Report, and Proposed Order
 - GTA Docket 11-14, Joint Application of GTA Teleguam LLC and GTA Teleguam Holdings LLC for Approval of the Assignment

**and Transfer of Telecom's Certificate of Authority and Eligible
Telecommunications Carrier Certificate to GTA Teleguam
Holdings LLC, ALJ Report, and Proposed Order**

- 6. PUC Website**
 - **Procurement of Small Purchase for Website Services; continued
Counsel Report and Commission action**
- 7. Administrative Matters**
 - **Counsel Report on Status re: RFP 11-02 (PUC Consulting Services
regarding Telecommunications); Commission Action**
- 8. Other Business**



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN RE: RATE REQUEST FOR)	GWA Docket No. 12-01
LEACHATE TREATMENT)	ORDER
AT LAYON LANDFILL)	
_____)	

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (hereinafter referred to as the "PUC" or the "Commisison") pursuant to the December 8, 2011 Order issued by Chief Judge Frances M. Tydingco-Gatewood of the District Court of Guam in U.S. v. Government of Guam, Civil Case No. 02-00022. In its Order, the Court requested that the PUC "set the rate for the treatment of leachate from the Layon Landfill and address any rate issues that need to be addressed to enable GWA to pay its obligations for waste disposal."

BACKGROUND

On January 24, 2012, the Administrative Law Judge of the PUC (the "ALJ") issued an ALJ Report requesting authority from the Commission to conduct a rate investigation into the appropriate rate for the Guam Waterworks Authority ("GWA") to charge for the treatment of leachate from Layon. On February 6, 2012, the PUC authorized the ALJ to investigate and examine the rate request ordered by the Court. On March 1, 2012, the ALJ issued a Scheduling Conference Order requiring GWA to appear at a Scheduling Conference on March 8, 2012 to discuss the rate investigation.

At the March 8, 2012 Scheduling Conference, the ALJ and GWA discussed the issues concerning the rate setting for GWA's treatment of leachate as well as GWA's past due obligations to the federal receiver, Gershman Brickner & Bratton, Inc. (the "Receiver" or "GBB") for GBB's disposal of GWA's biosolids. GWA informed the ALJ that it had reached an agreement with GBB with respect to the rate to be charged for GWA's treatment of leachate from Layon. On March 19, 2012, the ALJ issued an ALJ Report finding that the rate proposed by GBB and GWA was just, reasonable, and necessary, and subsequently recommended that the PUC approve such rate proposal.

DETERMINATIONS

In the March 19, 2012 ALJ Report, the ALJ found that GWA and GBB had reached an agreement concerning the interim rate GWA should apply for its treatment of leachate from Layon. Pursuant to the terms of such agreement, GWA would assess GBB a fee of \$14.19 per 1,000 gallons via the existing waste water master meter that measures all flow from the facility. This rate is the Commercial III rate for wastewater, and in the event the Commercial III rate is modified by the PUC at a later time, then the new Commercial III rate would apply unless a Cost of Service study determines otherwise. The \$14.19 per 1,000 gallons of wastewater is in addition to the charges for water. The ALJ further found that, under the agreement, GWA would reserve its right to conduct a Cost of Service study to formulate a rate that better reflects GWA's cost of treating the leachate; and, that GWA would continue to work towards determining what rate increase, if any, would be necessary to pay down its past due obligations to GBB.

The ALJ, thereafter, found that the rate proposed by GBB and GWA was just and reasonable as \$14.19 per 1,000 gallons under the Commercial III rate for wastewater appeared to fall within the range of rates charged for the treatment of leachate in other jurisdictions. The ALJ cited the Written Testimony of David L. Manning, which was prepared in support of the September 2010 Rate Request of the Solid Waste Management Division, as well as researched some rates charged for the treatment of leachate in other jurisdictions. The ALJ further found that the rate was necessary in light of both the federal Court Order requiring GWA to set a rate with respect to its treatment of leachate, but also because GWA must recoup its cost for treating such leachate.

Accordingly, the ALJ recommended that the PUC approve the rate proposed by GBB and GWA effective April 1, 2012. Finally, the ALJ recommended that the instant docket remain open to facilitate any rate investigation associated with GWA's repayment of its outstanding debt to GBB for GBB's disposal of GWA's biosolids.

The Commission hereby adopts the findings made in the March 19, 2012 ALJ Report and, therefore, issues the following:

ORDERING PROVISIONS

Upon careful consideration of the record herein, the March 19, 2012 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 the following:

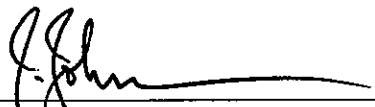
1. The rate of \$14.19 per 1,000 gallons which corresponds with the rate for wastewater for a Commercial III account shall be applied for the treatment of leachate

from the Layon Landfill effective April 1, 2012, and shall also be applied retroactively for any treatment of leachate from Layon during 2011.


2. The instant docket shall remain open in anticipation of any rate investigation associated with GWA's repayment of its outstanding debt to GBB for GBB's disposal of GWA's biosolids.

3. GWA 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 conducting the rate investigation and hearing 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 26th day of March, 2012.


JEFFREY C. JOHNSON
Chairman


JOSEPH M. MCDONALD
Commissioner


ROWENA E. PEREZ
Commissioner


FILOMENA CANTORIA
Commissioner


MICHAEL A. PANGELINAN

P124022.JRA



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN RE: REQUEST BY THE GUAM)
WATERWORKS AUTHORITY) GWA DOCKET 12-02
FOR EXPEDITED APPROVAL)
OF A CONTRACT FOR) ORDER
INSURANCE)
_____)

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the March 15, 2012 Petition for Expedited Approval to Approve the Contract for Insurance for the Guam Waterworks Authority (hereinafter referred to as the “Petition”), filed by the Guam Waterworks Authority (“GWA”).

BACKGROUND

On January 13, 2012, GWA petitioned the PUC for an expedited approval of GWA’s invitation for bid for property insurance, as well as other types of insurance indicated in that petition. On January 31, 2012, the ALJ issued an ALJ Report recommending that the PUC approve GWA’s invitation for bid for insurance. Thereafter, on February 6, 2012, the PUC approved GWA’s petition.

On February 15, 2012, GWA issued Bid No. GWA 2012-06, which sought sealed bids for property insurance, general liability insurance, directors and officers liability insurance, automobile insurance, and crime insurance to cover GWA’s system, assets, management, and personnel. An invitation for bid related to insurance coverage was published in the Pacific Daily News, the Marianas Variety, and GWA’s website that same day. On March 12, 2012, GWA held a bid opening. Two bidders, namely AM

Insurance (“AM”) and Great National Insurance, submitted proposals. According to GWA’s bid analysis, AM submitted the most responsive, responsible, and lowest bid. GWA thereafter awarded the contract to AM.

On March 13, 2012, the Consolidated Commission on Utilities (the “CCU”) issued Resolution No. 30-FY2012, which approved GWA’s award to AM. On March 15, 2012, GWA filed the instant Petition with the PUC for approval of GWA’s contract for insurance with AM. On March 19, 2012, the ALJ issued an ALJ Report recommending that the PUC approve GWA’s contract for insurance with AM for coverage indicated in the Petition, and for the total cost of \$6,008,980.00.

DETERMINATIONS

Pursuant to 12 G.C.A. §12004, GWA may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC’s express approval. Moreover, pursuant to GWA’s current Contract Review Protocol, “[a]ll professional service procurements in excess of \$1,000,000” and “[a]ny contract or obligation not specifically referenced above which exceeds \$1,000,000” “shall require prior PUC approval under 12 G.C.A. Section 12004, which shall be obtained before the procurement process is begun.” Contract Review Protocol, GWA Docket 00-04, p. 1 (Dec. 16, 2003).

In the March 19, 2012 ALJ Report, the ALJ reiterated his finding that GWA is required to maintain “insurance on the System with responsible insurers in such amounts and against such risks (including accident to or destruction of the System) as are usually maintained by prudent operators of systems similar and similarly situated to the System

and which it shall deem advisable or necessary to protect its interests and the interests of the Bondowners” pursuant to provisions of its bond indentures. ALJ Report, GWA Docket 12-01, p. 5 (Mar. 19, 2012). The ALJ further found that the PUC already approved GWA’s procurement of the insurance coverage on February 6, 2012.

The ALJ also found that GWA’s Petition is supported by the findings of the CCU, which has found that “the procurement was conducted in accordance with Guam Procurement Code and the limits and coverage’s [*sic*] are in conformity with the existing indenture of GWA’s System Revenue Bonds 2005 and 2010 Series.” ALJ Report, at 5. In addition, the ALJ found that the CCU has approved GWA’s award to AM, and has authorized GWA to petition the PUC for approval of the new contract, as well as to execute all documents and to undertake all action necessary to secure the insurance policies.

The ALJ additionally noted that in his January 31, 2012 ALJ Report, he found that “[t]he need for GWA to procure property insurance is clear: property insurance is required by GWA’s 2005 Bond Series Indenture” and that “the availability of property insurance will potentially benefit rate payers with regard to the protection of system assets” since “[i]nsurance proceeds can assist recovery efforts after natural disasters such as typhoons or earthquakes.” ALJ Report, pp. 5-6 (quoting PUC Counsel Report, GWA Docket 10-02, p. 2 (Oct. 6, 2010)).

Accordingly, the ALJ ultimately recommended that the PUC approve GWA’s contract for insurance with AM for the following: (1) \$30 million Property Insurance at a premium of \$5,347,500.00, for a term of 5 years; (2) \$35 million General

Liability Insurance at a premium of \$412,500.00, for a term of 3 years; (3) \$2 million Directors and Officer Liability Insurance at a premium of \$104,062.50, for a term of 5 years; (4) \$1 million Crime Insurance at a premium of \$34,965.00, for a term of 5 years; and, (5) \$2 million Automobile Insurance at a premium of \$109,952.50, for a term of 5 years.

The Commission hereby adopts the findings made in the March 19, 2012 ALJ Report and, therefore, issues the following:

ORDERING PROVISIONS

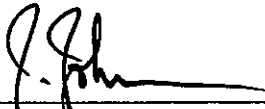
Upon careful consideration of the record herein, the March 19, 2012 ALJ Report, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS the following:

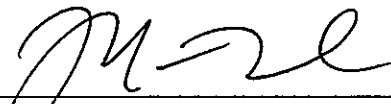
1. The PUC hereby approves GWA's contract with AM Insurance for the following: (1) \$30 million Property Insurance at a premium of \$5,347,500.00, for a term of 5 years; (2) \$35 million General Liability Insurance at a premium of \$412,500.00, for a term of 3 years; (3) \$2 million Directors and Officer Liability Insurance at a premium of \$104,062.50, for a term of 5 years; (4) \$1 million Crime Insurance at a premium of \$34,965.00, for a term of 5 years; and, (5) \$2 million Automobile Insurance at a premium of \$109,952.50, for a term of 5 years; for a total of \$6,008,980.00.

2. GWA 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 the instant contract 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.

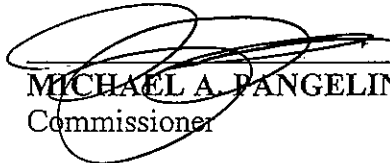
SO ORDERED this 26th day of March, 2012.



JEFFREY C. JOHNSON
Chairman

JOSEPH M. MCDONALD
Commissioner

ROWENA E. PEREZ
Commissioner

FILOMENA CANTORIA
Commissioner

MICHAEL A. PANGELINAN
Commissioner

P124020.JRA



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

GPA DOCKET 10-03

GUAM POWER AUTHORITY'S FILING REGARDING FUEL, HEDGING PROGRAM

ORDER

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon Filing of the Guam Power Authority ["GPA"] for review and approval of GPA's Fuel Hedging Program.¹

BACKGROUND

2. The Georgetown Consulting Group ["GCG"] has set forth the Regulatory Background of GPA's Fuel Hedging Program in its report filed herein on March 21, 2012, which is adopted herein.²
3. On January 27, 2012, GPA filed an Addendum to the Filing on its revised Fuel Hedging Program.³ Therein GPA submitted its substitute "Revised" "DRAFT" Risk Management Procedures relative to its fuel hedging program.⁴
4. In its Filings, GPA petitions for four items of relief:
 - (1) Approval of the revised Fuel Hedging Program;
 - (2) Authorization to purchase and sell put and call options in any combination as determined by the model to provide optimum protection for the authority;
 - (3) Authorization to monetize fuel hedging gains when consistent with the model; and

¹ GPA Filing re: Fuel Hedging Program, GPA Docket 10-03, filed December 22, 2011.

² GCG Review of GPA Fuel Hedging Petition, GPA Docket 10-03, filed March 21, 2012.

³ GPA Addendum to its Filing re: Fuel Hedging Program, GPA Docket 10-03, filed January 27, 2012.

⁴ Id.; See Draft Risk Management Procedures (Price Risk Management of Fossil Fuels), dated December 2011, attached to the Addendum.

- (4) Approval of the separate policy and procedure manuals developed by GPA, in conjunction with SAIC, to assist GPA personnel in the use of the hedging model and the management of its fuel hedging program.

DETERMINATIONS

5. GCG has done a thorough review of the GPA Fuel Hedging Program; subject to certain recommendations, it recommends that the PUC approve GPA's Fuel Hedging Program and the other relief requested by GPA.
 6. PUC adopts the reasoning and conclusions of GCG, and determines that the Fuel Hedging Program of GPA, as well as the other relief requested, should be approved.
 7. A number of factors, as identified by GCG, support the conclusion that GPA's proposed Fuel Hedging Program should be approved:
 - (a) The program of GPA is designed to identify future consumer exposure to movements in fuel prices, quantify the impact of these exposures, and to mitigate the impacts of these exposures.⁵
 - (b) As a result of "back-casting" (GPA's after the fact application of its model to the fuel crisis of 2008), the results that could have been achieved under the proposed fuel hedging program would have averted the negative performance of the prior program.
 - (c) The proposed hedging activities are consistent with industry best practices currently pursued by electric and natural gas utilities within the mainland US.⁶
 - (d) The proposed program utilizes a disciplined approach, the employment of additional financial instruments, and the use of a proposed statistical model.⁷ By using a disciplined approach, GPA intends to conduct hedging transactions for the purchase call options as well as using the
-

⁵ GCG Report re: Review of GPA Fuel Hedging Petition, GPA Docket 10-03, filed March 21, 2012, at p. 7.

⁶ Id. at p. 8.

⁷ Id. at p. 8.

zero cost caller approach; it has revised its target to gain hedge coverage for 100% of its fuel supply. Put options would also be utilized.⁸

- (e) GPA has done a due diligence assessment in developing its fuel hedging program and has selected appropriate financial instruments for such program.⁹
8. However, the fuel hedging program and formula utilized by GPA are extremely complex; implementation of the program confronts GPA with a number of challenges:
- (a) GPA must commit appropriate human resources to the program;
 - (b) SAIC should "shadow" GPA activities during the first 6 to 12 months of hedging operations, and such activity should continue until GPA has adequate internal resources in place;
 - (c) The integrity of the model is a concern, including the security of the software platform and risks of intentional/unintentional tampering or changes to the model;
 - (d) It will be critical for GPA to seek sufficient personnel with the required skill sets to continue operating the hedging program, and to guard against the risk of personnel leaving;
 - (e) Reporting is a critical element of the proposed fuel hedging program; there should be reports filed on fuel hedging along with the existing regulatory reporting with every LEAC filing, and operational reporting to the CCU. Initial reporting should include a calculation of Value at Risk (VaR).
 - (f) At the end of the first year there should be an audit done, and thereafter an audit would occur on a two-year basis.¹⁰
 - (g) After the second year of the program there should be a reassessment and refinement of the program.¹¹

⁸ See GPA Filing re: Fuel Hedging Program, Docket No. 07-10, filed March 15, 2010, Fuel Hedging Program Draft at pgs. 1-5.

⁹ GCG Report re: Review of GPA Fuel Hedging Petition, GPA Docket 10-03, filed March 21, 2012, at p. 8.

¹⁰ GCG Report re: Review of GPA Fuel Hedging Petition, GPA Docket 10-03, filed March 21, 2012, at pgs. 9 - 10.

9. GCG, as part of its recommendation to approve GPA's hedging program, has set forth a series of fourteen (14) recommendations for improvement of GPA's Fuel Hedging Program. The GCG recommendations are attached hereto as Appendix A and incorporated herein by reference. GPA should carry out such recommendations and implement them as part of its Fuel Hedging Program.

ORDERING PROVISIONS

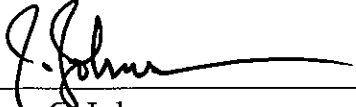
After careful review of the record herein, GPA's Filing Re: Fuel Hedging Program, the Draft Risk Management Procedures, the GPA Addendum Filing, and the GCG Report, for good cause shown and on motion duly made, seconded, and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's Filing Re: Fuel Hedging Program, which requests approval of the revised fuel hedging program, is hereby approved.
 2. The recommendations and reasoning contained in the GCG Report are also adopted; approval of GPA's fuel hedging program is conditioned upon acceptance by GPA of the recommendations of GCG and implementation by GPA thereof.
 3. GPA is authorized to purchase and sell put and call options in any combination as determined by the model to provide optimum protection for the Authority.
 4. GPA is authorized to monetize any fuel hedging gains when consistent with the output of the model.
 5. The PUC approves the separate policy and procedure manuals developed by GPA.
 6. GPA shall fully carryout the reporting and audit requirements as set forth in the GCG recommendations; reports on the fuel hedging program will be included with the LEAC Reports, and there shall be operational reports to the CCU.
-
7. 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

¹¹ GCG Report re: Review of GPA Fuel Hedging Petition, GPA Docket 10-03, filed March 21, 2012, at pg. 10.

expenses is authorized pursuant to 12 GCA §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 26th day of March, 2012.



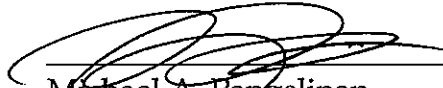
Jeffrey C. Johnson
Chairman



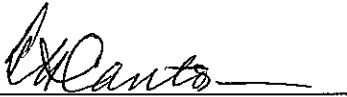
Rowena E. Perez
Commissioner



Joseph M. McDonald
Commissioner



Michael A. Pangelinan
Commissioner



Filomena M. Cantoria
Commissioner

Appendix A
Recommendations and Implementation Path

Recommendations	Expected Benefit	Evaluation and Implementation Plan	Due Date
R1. Target hedges for 100% of consumption prior to each 6-month LEAC period using fixed prices, swaps, calls, puts, participating swaps, and collars	<p>Achieve certainty of maximum LEAC fuel price adjustment for next period.</p> <p>Determine how "100%" of consumption will be calculated and what transactions are allowed inside the 6 month LEAC period</p>	<p>Task R1.1. Under the management of GPA's CFO engage hedge counterparts (Counterparts) to better understand what instruments, execution constraints, and margin requirements (if any) are available for GPA's needs.</p> <p>Task R1.2. Consolidate and review historical consumption figures and establish integration between forecasted consumption and execution of the risk management strategy.</p>	<p>4/30/2012</p> <p>3/31/2012</p>
R2. Execute hedges using GPA personnel to run models, execute trades, and report positions and risk. Activities to be shadowed by SAIC for the first six-12 months.	<p>GPA needs to develop internal and independent capabilities</p>	Task R2.3. Establish Interim Program to ensure models are fully integrated, personnel adequately trained, and resources available.	3/31/2013
R3. Ensure separation of duties	<p>Contract administrator different from Manager of Energy Risk Control</p> <p>Manager of Energy Risk Control different from Manager of Hedge Execution</p>	<p>Task R3.0. Establish Management Directive to fund and ensure resources for the execution of the Risk Management Program</p> <p>Task R3.4. Review with CCU GPA's evaluation and implementation of the 14 recommendations made by GCG.</p>	<p>3/31/2012</p> <p>2/28/2013</p>

R4. Independent audit every two years.	Task R4.5. Conduct an audit at least every two years of the execution of the risk management program	3/31/2014
Initially conduct audit on a shorter interval	Task R4.6. Conduct an audit at least once a year of the models and reports supporting the risk management program. See also Task R3.4.	2/28/2013
Schedule to verify or update the models at least annually	Ensure correct implementation of the strategy	See Task R11.9
Modify procedures as needed as credit and margin changes		See Task R4.6
R5. Identify new positions and hire personnel needed to execute on plan	Guarantee that implementation of the strategy is allocated sufficient resources	See Task R3.0
R6. Devise plan to train new personnel and run in parallel		See Task R3.0, and reinforced with the results from tasks associated with R4.5
R7. Develop user manual based on Appendix F	Task R7.7 Develop user manual based on Appendix F of Procedures Manual	6/30/2012
R8. Design a simple interim plan to protect GPA LEAC from price volatility until reporting infrastructures are in place	Recognizes a learning curve process	See Task R3.0
R9. Engage counterparties in exploratory discussions	Identify feasible instruments available for execution	See Task R1.1

R10. Create Quarterly reporting to CCU Physical/financial, buy/sell, mark-to-market, hedge effectiveness, Value at Risk (VaR), credit exposure (CDF spreads) / potential margin requirements	Task R10.8 Develop a specific report template, format and content that is meaningful to GPA and CCU Easy to understand and track exposure See Task R10.8	4/30/2012
R11. Integrate Models	Integrate hedge decision tool with hedge instruments model and risk reports Task R11.9 GPA to Devise a plan for implementation process to integrate, maintain, and audit models and reporting to support Risk Management Policies and Procedures	4/30/2012
R12. Enhance Reporting Capabilities and Process	Create models and reports backup and maintenance plan See Tasks R3.0, R10.8, and R11.9	
R13. Include backup plan to manage personnel risk	Backup designee(s) for loss of key personnel See Tasks R3.0 and R3.4	
R14. CCU verification of hedge strategy at least every two years	Periodic strategic direction from CCU See Tasks R3.0 and R3.4	

ON

RECEIVED

MAR 26 2012

Utah State Office of Education

) GPA DOCKET 12-01

ORDER

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of Guam Power Authority ["GPA"] for contract review and approval of the Regulatory Services Contract with R.W. Beck (dba SAIC).¹

2. The Guam Power Authority issued RFP 09-004 for "regulatory services" and entered into a contract for such services with R.W. Beck in May 2009.²
3. Over the past two and a half years, GPA issued task orders to R.W. Beck for provision of certain regulatory services.³
4. When GPA entered into the contract with R.W. Beck in May 2009, it did not anticipate at that time that the value of the contract would approach \$1.5M.⁴
5. The contract review threshold of \$1.5M has now been met as a result of the task orders issued to R.W. Beck for regulatory services. GPA seeks approval of its regulatory services contract, and wishes to issue an additional task order to R.W. Beck for "engineering consulting services" to review a proposed bond issuance/refinancing.⁵ The Engineering Consultant would review the ability of GPA to refinance its outstanding debt and to reduce its present interest costs.⁶
6. Since GPA already has a contract with R.W. Beck, it wishes to utilize its existing regulatory services contract for this work. This additional work will cost in the

⁶ Id. at pgs. 1-2.

range of \$245,000.⁷ \$50,000.00 would be used to pay R.W. Beck for services performed in the pending rate case, for a total of \$300,000.00.

7. The Consolidated Commission on Utilities, in Resolution No. 2012-08, authorized GPA to increase the amount of its task orders to R.W. Beck in the amount of \$300,000 for a consultant's report "as a part of GPA's official statement needed for the upcoming bond issuance...", and to petition the PUC for contract review approval of its proposed task order with Beck.⁸
8. GPA now requests that the PUC approve an increase in the contract amount for R.W. Beck from \$1.5M to \$1.8M.
9. On March 20, PUC Counsel has submitted his Report recommending that GPA's request be approved, but with certain reservations.⁹

DETERMINATIONS

10. Here, GPA did not realize when the contract was initially entered into that the total multi-year cost of the contract would exceed \$1.5M. GPA has a reasonable excuse for not seeking prior approval of this procurement under the contract review protocol, as it appeared that the total cost would not exceed \$1.5M.
11. GPA should be authorized to pay R.W. Beck for services it has rendered in the pending rate case in an additional amount of \$50,000.00.¹⁰
12. It is also reasonable to authorize GPA to utilize the services of R.W. Beck to look into the possibility of bond issuance and refinancing, and to provide an engineering consultant's report.¹¹ However, the Commission believes it prudent to authorize only \$200,000.00 for such purpose. Whether GPA can refinance existing bonds in order to reduce interest costs, or to restructure debt, are appropriate subjects for further examination.
13. However, to the extent that CCU Resolution No. 2012-12 indicates that the engineering consultant's report is "part of GPA's Official Statement needed for the upcoming bond issuance...", GPA has not adequately appraised PUC of any plans

⁷ Id.

⁸ CCU Resolution No. 2012-08, issued February 14, 2012, at p. 3.

⁹ PUC Counsel Report, GPA Docket 12-01, issued March 20, 2012.

¹⁰ CCU Resolution No. 2012-08, issued February 14, 2012, at p. 2.

¹¹ Id. at p. 2.

for a bond issuance; PUC does not agree that there is any approved “upcoming bond issuance” at this time.

14. Furthermore, PUC approval of the Beck regulatory services contract or authorization for Beck prepare an engineering report in no manner signifies that PUC approves of any plan by GPA to refinance its debt or to issue new bonds. GPA has a heavy burden to justify any refinancing of bonds or issuance of new debt, as such actions impact ratepayers and could increase the rates which ratepayers must pay.
15. GPA should be very cautious in the issuance of new bonds or the undertaking of new debt.
16. GPA itself, in its letter from General Manager Flores dated February 17, 2012 to the PUC ALJ, indicates the possible pitfalls of bond issuance by GPA, including the lack of certainty of GPA’s ability to issue bonds in the market, the uncertain nature of the amount of savings, if any, from a refinancing or bond issuance.
17. GPA should report hereafter to the PUC on a monthly basis concerning the present nature of its plans to issue further bonds or to refinance existing bonds. Such report should include a detailed description of any and all activities undertaken by GPA with regard to consideration of the issuance of bonds or refinancing during such period and the expenditure of any funds in such regard. GPA must keep the Commission fully advised regarding its plans for bond issuance and refinancing.

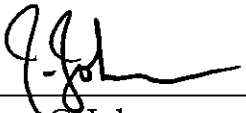
ORDERING PROVISIONS

After careful review and consideration of the above determinations, the Petition of GPA, the Report of PUC Counsel, and the record herein, for good cause shown and on motion duly made, seconded, and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:


1. The PUC hereby grants GPA’s application for approval of the Regulatory Services Contract with R.W. Beck (dba SAIC).
2. GPA is authorized to expend an additional \$50,000 under such contract for the services of R.W. Beck, the pending rate case, and the amount of \$200,000 for R.W. Beck to provide an engineering consultant’s report concerning bond issuance/refinancing.

3. GPA is authorized to expend up to a total of \$1.75M for the Regulatory Services Contract with R.W. Beck.
4. PUC's approval of such expenditures for the R.W. Beck contract should in no manner be deemed as any approval or authorization for a bond issuance/refinancing by GPA. PUC instructs GPA to fully advise the PUC concerning any steps and actions which GPA intends to take towards a future bond issuance/ refinancing.
5. GPA shall provide PUC with a report on or before April 10, 2012, clarifying its reference to the R.W. Beck report as the "engineering consultant's report as part of GPA's Official Statement needed for the upcoming bond issuance...", explaining what steps or actions it has already taken to pursue bond refinancing or issuance, and what justification it believes there is for any planned refinancing or bond issuance. GPA should explain in detail all steps it has previously taken to pursue bond issuance or refinancing.
6. Hereafter, GPA shall report to the PUC by the last day of each month with regard to all actions and steps that it has taken to proceed with a bond issuance/refinancing. This report shall include, in detail, all actions or steps taken by GPA and all amounts expended for such purpose.
7. 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 §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.


Dated this 26th day of March, 2012.



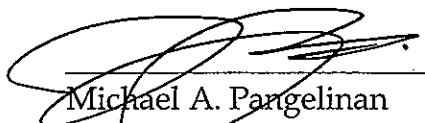
Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner



Joseph M. McDonald
Commissioner



Michael A. Pangelinan
Commissioner

ORDER
GPA Application Requesting Approval of
Regulatory Services Contract with R.W. Beck
GPA Docket 12-01
March 26, 2012

A handwritten signature in black ink, appearing to read "M. Cantoria", with a horizontal line extending from the end of the signature.

Filomena M. Cantoria
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

GPA DOCKET 12-02

THE APPLICATION OF THE GUAM
POWER AUTHORITY REQUESTING
APPROVAL OF THE BUYOUT OF THE
LEHMAN BROTHERS INVESTMENT
CONTRACT.

ORDER



INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ("GPUC") upon the Petition of the Guam Power Authority ("GPA") for Contract Review and Approval of the Buyout of the Lehman Brothers Investment Contract.¹

BACKGROUND

2. GPA proposes a "buyout" of a Bond Reserve Fund Forward Delivery Agreement [the "Lehman Agreement"] which GPA entered into with Lehman Brothers Special Financing, Inc. ["Lehman"] in September 2000. GPA has a nearly identical agreement with Bank of America ["BofA"].²
3. Under the terms of Lehman Agreement, GPA, in exchange for an upfront net cash payment of \$6,365,500, gave Lehman the right to control and retain the proceeds from the investment of \$13.7 Million of the Bond Reserve Fund that GPA is required to maintain under its 1999 Supplemental Bond Indenture.
4. Essentially, GPA bargained away the income that could have been earned from the investment (i.e. \$13.7 Million for the life of the 1999 bonds until 2034) in exchange for up-front payment of \$6,365,500.³
5. Recently, Lehman, which is currently in bankruptcy, has offered GPA the opportunity to buyout the Lehman Agreement thereby regaining "control" of the \$13.7 Million of the Bond Reserve Fund in exchange for a one-time payment to

¹ GPA Petition for Contract Review Approval of the Buyout of the Lehman Brothers Investment Contract, GPA Docket 12-02, filed March 9, 2012.

² Response of Georgetown Consulting Group, Inc. to Guam Power Authority's Petition to Approve Buyout of Forward Delivery Agreement with Lehman Brothers, GPA Docket 12-02 filed March 21, 2012.

³ Id. at p. 1.

Lehman of \$4.48 Million.⁴ To fund the buyout, GPA proposes to use \$3.1 Million of the 2010 Bond Funds which the PUC had previously earmarked for project cost overruns and \$1.38M in funds from the GPA self- insurance reserve fund.⁵

6. In its Petition, GPA asserts that the existence of the Lehman Agreement and the companion (BofA Agreement) prevented GPA, in 2010, from being able to refinance certain outstanding bonds on terms that would have provided benefits to GPA and its ratepayers.⁶ GPA further alleges that the buyout of the Lehman Agreement would give GPA "flexibility" in its needs to consider opportunities that it might have to refinance or restructure its current bond obligations on more favorable terms.⁷
7. GCG was asked to prepare a Report on this matter. GCG filed its report herein on March 21, 2012.

DETERMINATIONS

8. The PUC adopts the Analysis and Conclusion in the GCG Report filed March 21, 2012.
9. There is no immediate or direct benefit from the upfront payment by GPA of \$4.48 Million to Lehman. The estimated value that GPA would hope to obtain from the buyout (the estimated value of "control" of interest income from the Bond Reserve Fund through 2034) is between \$4-4.5M.
10. At present, GPA has not demonstrated that the buyout of the Lehman Agreement would even enable it to gain control of the remainder of the Bond Reserve Fund. GPA would still need to deal with BofA Agreement to acquire control of the remainder of the Bond Reserve Fund. The terms or payment that BofA will seek are unknown.⁸

⁴ Id. at pgs. 1-2.

⁵ Id. at p.2; In its Report, Georgetown points out that, in the pending current base rate case, GPA and GCG have both discussed recommending to the PUC that the same \$3.1 Million be "unrestricted " and therefore available to be included in the computation of unrestricted days cash available to GPA.

⁶ Letter from General Manager of GPA to Administrative Law Judge of PUC, Emergency Petition for Authorization to Terminate the Guam Power Authority Investment Agreement with Lehman Brothers, GPA Docket 12-02, filed March 9, 2012, at p.1

⁷ Memorandum from General Manager to CCU Commissioners, re: Termination of Bond Forward Agreement, dated March 5, 2012 at p.2.

⁸ Response of Georgetown Consulting Group, Inc. to Guam Power Authority Petition to Approve Buyout of Forward Delivery Agreement with Lehman Brothers, GPA Docket 12-02, filed March 21, 2012 at p. 3.

11. GPA claims that, with a buyout of the Lehman Agreement, it could achieve savings from a refinancing of approximately \$45M of 1999 bonds of "\$200,000 a year" (a total present value savings over the life of the bonds of \$1.2M). Even this small potential benefit is speculative, however, based upon numerous uncertainties concerning future refinancing efforts, including market interest rates, GPA's bond credit rating, and the need for approval of a "meaningful adjustment" (i.e. increase) to base rates.⁹
12. The funding mechanisms proposed by GPA to buyout Lehman with a cash payment of \$4.48M do not appear prudent or reasonable. Presently, the \$3.1M of bond funds which GPA intends to use for the buyout are restricted for bond project cost overruns. GCG and GPA have already discussed a proposal that the PUC "unrestrict" these funds to provide GPA with a potential source of unrestricted cash to meet its desired target for days of unrestricted cash in the pending rate case.
13. PUC believes that applying the \$3.1M in bond funds to assist GPA in achieving its target for days of unrestricted cash is a more beneficial use than buying out the Lehman agreement. Were the funds not applied to the rate case purpose, there would be additional upward pressure on future year revenue requirements by requiring GPA to makeup these cash balances. GPA has not adequately explained how it would makeup these cash balances.
14. The PUC is not comfortable with GPA's intention to issue subordinate taxable bonds in order to repay funds taken from a restricted account. Such a "solution" would be a borrowing to repay borrowing.
15. Replenishment of these funds in the current or future rate cases would likely be a cost of the proposed buyout, and could lead to new proposals by GPA for rate increases. The overall cost of the proposed transaction is likely uneconomic.
16. The use of funds from the self-insurance reserve fund to fund the proposed buyout is also not desirable. The self-insurance reserve fund is not for such purposes, but to protect GPA and its ratepayers from damage caused by typhoons and other natural disasters. The self-insurance fund should not be depleted for such purpose.

⁹ Id. at p. 4.

17. The proposed use of \$4.48M of available funds to buy back control of 50% of the Bond Reserve Fund, where the benefit is both minimal and speculative and subject to other substantial cost, is not prudent.
18. GPA has not met its burden to demonstrate that the benefit of its proposed buy-out justifies the cost and the foreseeable impact of higher rates needed to replenish the \$4.48M of cash (and additional amounts for a BofA buyout).

ORDERING PROVISIONS

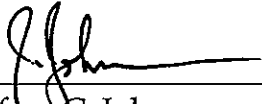
After careful review and consideration of the above determinations, the Petition of GPA, the Report of GCG, and the record herein, for good cause shown and on motion duly made, seconded, and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. The PUC hereby denies GPA's Petition for Approval of the Buyout of the Lehman Brothers Investment Contract.
2. Based upon the report of GCG, the PUC finds that the benefits alleged by GPA for any immediate expenditure of revenues in the amount of \$4.48M are highly speculative and do not justify the cost involved.
3. Bond funds in the amount of \$3.1M (presently a "restricted" fund for bond cost overruns) should not be used for the buyout proposed in GPA's petition. Similarly, the PUC does not believe that the self-insurance fund should be used for purposes other than for which it was created.
4. The "buyout" proposed by GPA would likely result in "an upward pressure in future year revenue requirements" by requiring that GPA makeup these cash balances (i.e. utilization of the \$3.1M from existing bond funds and \$1.38M from the self-insurance reserve fund).
5. PUC does not find any substantial benefit to ratepayers at this time from the proposed transaction and believes that the transaction could adversely impact rates.
6. 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

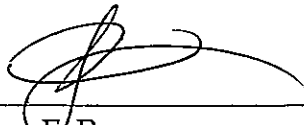
ORDER
GPA Application for
Approval of the Buyout of the
Lehman Brothers Investment Contract
GPA Docket 12-02
March 26, 2012

expenses is authorized pursuant to 12 GCA §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.


Dated this 26th day of March, 2012.



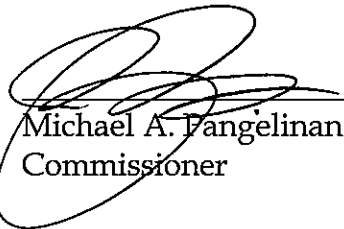
Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner



Joseph M. McDonald
Commissioner



Michael A. Fangelinan
Commissioner

Filomena M. Cantoria
Commissioner



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

GTA TELECOM LLC INDIVIDUAL
CASE BASIS FILING

) GTA DOCKET 12-01

) ORDER

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [PUC] upon the filing of GTA Telecom LLC [GTA] to establish an Individual Case Basis arrangement with the Joint Region Marianas, Guam (Naval Base Guam, Andersen Air Force Base, and Associated Annexes) ["JRM"] pursuant to GTA's ICB Tariff.¹
2. GTA's proposed tariff for ICB arrangements was previously approved by the PUC in Docket 05-03. The Individual Case Basis Tariff, originally filed by GTA as Tariff Transmittal No. 11 on December 1, 2008, contains three conditions: a] ICBs will be offered only to business or government customers having or ordering more than 10 access lines; b] Rates for services provided under competitive bids shall not exceed the tariff prices where specific charges are provided in the tariff; c] The ICB prices contained in any contract should be available to any similarly situated customer.²

BACKGROUND

3. JRM, through its contracting office, issued a competitive bid for Communication Services through the Joint Region Marianas, FA8773-12-C-006. GTA was awarded the contract for provision of Communications Services to JRM on November 9, 2011.³ GTA will be providing a broad range of telecommunications services to JRM covering voice and data. GTA is requesting an ICB pricing on the following services:

¹ GTA Telecom LLC filing for an Individual Case Basis Arrangement, GTA Docket 12-01, filed February 1, 2012.

² GTA Telecom LLC Filing of Individual Case Basis Tariff, filed December 1, 2008.

³ GTA Telecom LLC filing for an Individual Case Basis Arrangement, GTA Docket 12-01, filed February 1, 2012, Exhibit C.

Product
Direct Inward Dial Numbers Assignments
Basic Business B-1 Line
ISDN-PRI
DS1-Local
DID Trunk

4. In GTA Docket 11-04, the PUC confirmed that there are three criteria that GTA must establish in its ICB filing before an ICB arrangement can be approved. GTA must: (a) offer more than 10 access lines for business or governmental customers and shall not exceed the tariff prices, where specific charges are provided in GTA's tariff; (2) consistent with PUC's confidentiality rules, file with PUC each ICB contract upon execution together with analysis which establishes that the contract prices exceed incremental cost as determined using the long run incremental cost [LRIC] standard; and (3) establish that ICB prices contained in any contract shall be available to any similarly situated customer.⁴
5. On February 22, 2012, GTA requested a continuation of the hearing scheduled for that evening on GTA's ICB application.⁵
6. GTA stipulated to a suspension order of GTA's ICB application until it was acted upon by the PUC.⁶
7. On February 22, 2012, Pacific Data Systems Inc. filed public comment opposing the ICB application of GTA and requesting that the Commission issue a suspension order.⁷
8. At its meeting on February 22, 2012, the PUC approved the stipulation of GTA suspending GTA's ICB application until further action by the PUC.
9. On February 23, 2012, GCG filed a "CONFIDENTIAL" Report herein.⁸ GCG found that, based upon the Commission's rules, "an ICB at \$0.10 per number to the

⁴ PUC Order Re: PDS Request for Reconsideration/Re-Hearing and IT&E Petition for Rehearing, GTA Docket 11-04 dated May 16, 2011; ALJ Report, GTA Docket 11-04, dated June 13, 2011.

⁵ Email from Serge Quenga, GTA Legal Counsel, to PUC Legal Counsel, GTA Docket 12-01, dated February 22, 2012.

⁶ Email from Serge Quenga, GTA Legal Counsel, to PUC Legal Counsel, GTA Docket 12-01, dated February 22, 2012.

⁷ Email from John Day, President, Pacific Data Systems, GTA Docket 12-01, filed February 22, 2012.

⁸ GCG Report re GTA Telecom ICB Tariff for DID Services, GTA Docket 12-01, filed February 23, 2012.

Department of Defense is justified because DoD meets the size requirement and the price is not considered predatory.”⁹

DETERMINATIONS

10. In this case, GTA satisfies the requirement that it offer ICB pricing to a government customer with more than 10 lines. GTA offers 140 business lines to JRM and four ISDN-PRI. As previously established in GTA Docket 11-08, an ISDN-PRI, with its 23 voice channels, equates to at least five end user common lines. The DS1 and DID Trunks serve multiple channels.
 11. GTA has filed, as Exhibit B to its Petition, the GTA LRIC like methodology for GTA’s offering of Direct Inward Dial Numbers Assignments, Basic Business B-1 Lines, ISDN-PRI, DSI-Local, and DID Trunk to JRM.¹⁰
 12. The LRIC studies filed by GTA, with separate studies filed for ISDN-PRI, B1 lines, DID Number Assignment, DS1 Local, DID Trunk, and 2-wire/4-wire dry copper, indicate that the costs for such services are above the average incremental costs developed in the LRIC studies. The offered contract prices for such services exceed the incremental costs as determined using the LRIC-like standard.¹¹ However, approval of the dry copper transport services to JRM should be conditioned upon submission by Telecom of an LRIC study which established that the costs for such services are above the average incremental cost.
 13. GTA has also demonstrated that the rates for the aforementioned services provided under the contract do not exceed the tariff prices where specific charges are provided in the tariff.
 14. In this Docket, unlike Docket 05-03, an individual case basis filing is proposed and not an established tariff. Given that GTA is providing approximately 800 Direct Inward Dial Number Assignments to JRM, a reduction in rate can be justified. GTA has proposed the same charge for the Government of Guam in a separate bid. Thus it appears that GTA meets the requirement that it provide the ICB rate to similarly situated customers.
-

⁹ Id. at p.1.

¹⁰ Id., Exhibit B.

¹¹ Id.; GTA filed its LRIC like study on dry copper pairs on March 26, 2012. The LRIC study indicates that the price offered by GTA to JRM for dry copper wire in the contract is above incremental cost.

15. The discussion by Legal Counsel in his Report of the concerns raised by PDS is hereby adopted. The concerns expressed by PDS do not serve as a basis for denying GTA's application. Such concerns will be addressed in the appropriate dockets.
16. Both GCG and Legal Counsel have found that GTA's ICB Application for JRM satisfies the Commission's requirements for an ICB filing. Under the applicable requirements for an ICB filing, there is no basis upon which to deny GTA's application.
17. However, notwithstanding PUC approval of the ICB, there remains an issue as to whether the ICB pricing for JRM is discriminatory in comparison with the rates for non-DoD customers. The establishment of a new docket/proceeding is necessary to determine whether the significant difference in the pricing for DID numbering services to the DoD and Non-DoD customers is discriminatory.
18. The PUC should authorize the Administrative Law Judge to institute a separate docket for the purpose of determining whether the DID rates for non-DoD customers are discriminatory, and what rates are appropriate for DID services for non-DoD customers.

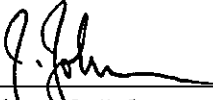
ORDERING PROVISIONS

Upon consideration of the record herein, GTA's ICB filing for JRM, the PUC Legal Counsel Report, and the GCG Report, for good cause shown and on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS that:

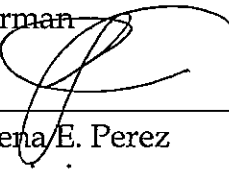
1. GTA's Individual Case Basis Filing dated February 1, 2012, properly satisfies the three ICB Tariff conditions set forth in the PUC Order dated February 15, 2008 and is hereby approved; however, the PUC authorizes the ALJ to institute a separate docket for the purpose of determining whether DID rates for non-DoD customers are discriminatory, and what rates are appropriate for non-DoD customers.
2. The findings and recommendations in the PUC Counsel Reports dated February 20, 2012, and the GCG Report filed February 23, 2012, are hereby adopted and approved.
3. GTA's ICB filing properly establishes, through its LRIC-like studies, that the prices far exceed incremental cost as determined using the LRIC study

4. The ICB pricing offered by GTA to JRM should be in accordance with the price represented in Exhibits B and C to its Petition.
5. The ICB prices contained in the contract with JRM shall be available to any similarly situated customer.
6. GTA is ordered to pay for the PUC's regulatory fees and expenses incurred in this Docket, including, without limitations, consulting and counsel fees and expenses. Assessments of the PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §12002(b) and 12024(b), 12104, 12103, the Rules Governing Regulatory fees for Telecommunications Companies, and Rule 40 of the Rules of Practice and Procedure before the PUC.

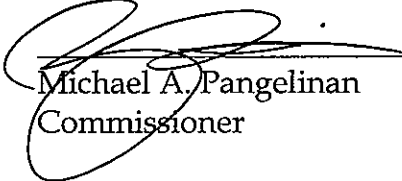
Dated this 26th day of March, 2012.



Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner



Michael A. Pangelinan
Commissioner



Joseph M. McDonald
Commissioner

Filomena M. Cantoria
Commissioner

IN RE:

GTA DOCKET 11-14

JOINT APPLICATION OF GTA TELECOM,
LLC AND TELEGUAM HOLDINGS, LLC
FOR APPROVAL OF THE ASSIGNMENT
AND TRANSFER OF TELECOM'S
CERTIFICATE OF AUTHORITY AND
ELIGIBLE TELECOMMUNICATIONS
CARRIER CERTIFICATE TO TELEGUAM
HOLDINGS, LLC



INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [“PUC” or “Commission”] upon the Joint Application of GTA Telecom, LLC, and TeleGuam Holdings, LLC, for approval of the assignment and transfer of Telecom’s Certificate of Authority and Eligible Telecommunications Carrier Certificate to TeleGuam Holdings, LLC.
2. In this proceeding, the parties seek to transfer the existing Certificate of Authority [COA] held by Telecom to TeleGuam. Telecom is a wholly owned subsidiary of TeleGuam. The purpose is to consolidate “GTA” into one corporate entity; as an effort to simplify and streamline business operations, TeleGuam plans to withdraw the foreign registrations in Guam for all of TeleGuam’s wholly owned subsidiaries, including Telecom.¹
3. TeleGuam will become the sole entity providing Telecommunications services under the COA and ETC Certificate issued by the Commission.²

¹ Id. at p. 8; Presentation of Applicant's Attorneys, Carlsmith Ball, LLP, at the evidentiary hearing conducted by the ALJ on February 9, 2012.

² Id. at p. 8.

BACKGROUND AND PROCEDURAL HISTORY

4. On September 19, 2011, the Commission ordered TeleGuam to file an amended general exchange tariff which clearly indicates that its provisions are applicable to Telecom.³
5. In this proceeding, GTA TeleGuam seeks to streamline and simplify its current business operations. If the Joint Application herein is approved by the PUC, Telecom will not need to further amend General Exchange Tariff No. 1. General Exchange Tariff No. 1 currently applies to TeleGuam.
6. The organizational structure proposed by Teleguam, after a transfer of the COA to it, is set forth as Exhibit "A" to the ALJ Report filed herein.
7. On January 6, 2012 and January 20, 2012, the PUC caused a notice to be published in the Pacific Daily News attesting to: (1) the filing of the Joint Application; (2) the opportunity for interested persons to file comments of the record regarding the Joint Application; and (3) the holding of a public hearing to receive public comment and testimony on the Joint Application.⁴
8. On February 6, 2012, Pacific Data Systems Inc., through its President John Day, filed written comments regarding the Joint Application.⁵
9. On February 9, 2012, the PUC conducted a Public Hearing during which testimony on the Joint Application was taken. Testimony was provided by representatives of TeleGuam, Telecom, and PDS.
10. On March 16, 2012, Applicants submitted an executed copy of the Assignment and Contribution Agreement to the Commission.⁶ Thereunder, GTA Services, Pulse

³ Joint Application at p. 8.

⁴ PUC Public Notice of Joint Application of TeleGuam Holdings, LLC and GTA Telecom, LLC for Expedited PUC Approval of the Assignment and Transfer of the Certificate of Authority and Eligible Telecommunications Carrier Certificate from GTA Telecom LLC to TeleGuam Holdings, LLC, GTA Docket 11-14, published in the Pacific Daily News on January 6, 2012 and January 20, 2012.

⁵ Public Comments of PDS, GTA Docket 11-14, filed February 6, 2012.

⁶ Assignment and Contribution Agreement, GTA Docket 11-14, submitted under seal, March 16, 2012.

Mobile, and Telecom each transfer and assign all right, title and interest in all "service assets" to TeleGuam, which essentially includes all property and assets of the companies.⁷ The transferred assets include the COA and the ETC Certification.⁸

11. If the Joint Application is approved, TeleGuam will become the sole entity providing Telecommunications services under the COA and ETC issued by the Commission.⁹
12. On March 21, 2012, the Administrative Law Judge [ALJ] filed his Report herein.¹⁰

DETERMINATIONS

13. In the present case, Telecom seeks to assign and transfer its Certificate of Authority to TeleGuam Holdings, LLC. TeleGuam was previously the duly authorized holder of a Certificate of Authority which enabled it to provide intrastate facilities based and resold local exchange telecommunications services in Guam.¹¹
14. Before the transfer of a COA can be effective, the Commission must make a determination that the proposed transfer satisfies the requirements for granting a certificate of authority as set forth in 12 GCA §12103(c).
15. The two findings required by the Commission in subsection (c) are:
 - (1) The applicant possesses sufficient technical, financial, and managerial resources and abilities to provide the telecommunications services in Guam for which it seeks a certificate of authority; and (2) the granting of a certificate of authority to the applicant would not be contrary to the public interest.¹²

⁷ Id. at pgs. 1-7.

⁸ Id. at p. 4.

⁹ Joint Application, GTA Docket 11-14, filed December 19, 2011, at p. 8.

¹⁰ ALJ Report, GTA Docket 11-14, issued March 21, 2012.

¹¹ See PUC Certificate of Authority, Docket 05-02 [Exhibit "B" to Joint Application], issued February 28, 2005.

¹² See 12 GCA §12103(c)(1) and (2).

16. A review of the record herein establishes that TeleGuam Holdings LLC possesses sufficient technical, financial and managerial resources and abilities to provide telecommunications services for which it seeks a certificate of authority.
- a) The Commission previously determined that the Applicants met the requirements of 12 GCA §12103(c)(1) in its July 27, 2005 Order when it approved the transfer of TeleGuam's COA to Telecom.¹³
 - b) The issue of whether TeleGuam possess sufficient technical, financial and managerial resources and abilities to provide telecommunications services in Guam was recently addressed in GTA Docket 11-09. The Commission, in adopting the findings of the ALJ, found that TeleGuam does have sufficient technical, financial and managerial resources and abilities to provide telecommunications services in Guam.¹⁴
 - c) Applicants have supported the adequacy of their financial resources by submitting Financial Statements for 2008-2011¹⁵ and their Operating Budget with Revenue and Expense Projections.¹⁶
 - d) As to Technical and Managerial Resources, TeleGuam will retain and utilize all of Telecom's technical and managerial resources. The Applicants have provided a detailed description of the Management and Technical Team that will lead TeleGuam; such team will continue to provide the qualified management previously provided to Telecom.¹⁷
 - e) At the public hearing of February 9, 2012, all parties agreed that TeleGuam does possess sufficient technical, managerial, and financial resources to provide telecommunications services in Guam.
17. Approval of the transfer of the Certificate of Authority from Telecom to TeleGuam is not "contrary to the public interest."

¹³ PUC Order, Docket No. 05-03, issued July 27, 2005.

¹⁴ PUC Order, GTA Docket 10-09, issued February 21, 2011, ¶ 22 through 25; Ordering Provisions ¶2.

¹⁵ Exhibit "F" to Confidential and Proprietary Exhibits, GTA Docket 11-14, filed December 19, 2011.

¹⁶ Exhibit "G" to Confidential and Proprietary Exhibits, GTA Docket 11-14, filed December 19, 2011.

¹⁷ Joint Application, Exhibit "E", GTA Docket 11-14, filed December 19, 2011.

- a) Applicants have clarified the nature of the proposed GTA Corporate organization, the companies involved, and the changes which GTA seeks to make in its corporate structure.
- b) PDS correctly points out that the Commission did find, in Dockets 08-11 and 09-3, that Telecom had violated certain rules and orders of the Commission. However, in both Dockets, Telecom took remedial measures to address violations found by the PUC. PDS has not subsequently reported any concern to the Commission that there continue to be violations of the rules, statutes, or the interconnection agreement in those dockets.¹⁸
- c) While TeleGuam did not amend its General Exchange Tariff to clarify its applicability, the Commission, in its Order issued February 11, 2012 in Docket 05-01, found that GTA's filing of its application to transfer its COA to TeleGuam was a good faith effort to resolve the issue of which entities its tariffs apply to.¹⁹
- d) In both its public and written comments, PDS raises a legitimate concern as to how the new GTA corporate structure will comply with the Commission's Affiliate Transaction Rules:

"The new combined corporate structure is especially challenging from a regulatory perspective since the new TeleGuam operation will encompass three separate regulatory operations; the Incumbent Local Exchange Carrier (ILEC), and Inter-Exchange Carrier (IXC), and a Commercial Mobile Radio Service carrier (CMRS), not to mention unregulated operations offering Internet Access, Video Services, and IP services. Federal rules forbid cross-subsidizations between all of these various regulated and unregulated operations. Failure to address this issue could allow the new combined GTA to use its market power to engage in anti-competitive activities in order to suppress competition and to dominate the Guam market. This would run counter to the public

¹⁸ The ALJ is not convinced that the prior violations referenced constitute evidence that the transfer of the COA requested herein is "contrary to the public interest."

¹⁹ PUC Order, Docket 05-01 [GTA General Regulatory Docket, filed January 11, 2012].

interest and to the primary goal of the Commission which is to promote competition.”²⁰

e) To date, no evidence has been presented that GTA has used its market power to engage in anti-competitive activities in order to suppress competition or to dominate the Guam market.

f) Even after GTA carries out its corporate reorganization, the Affiliate Transaction Rules will be adequate to regulate the new corporate organization. Under the reorganization, the services that Telecom, GTA Services and Pulse Mobile currently provide will be consolidated under and performed solely by TeleGuam. TeleGuam will no longer have “affiliates.” Transactions previously conducted between “affiliates”, as said term is defined under GPUC Joint Cost Rule 4, will no longer exist. Since only transactions between affiliates are subject to Rule 8, the regulation of TeleGuam’s “Joint costs” will transition from Rule 8 to GPUC Joint Cost Rule 7, Allocation of Costs.²¹

g) In accordance with Rule 7(a), “Each Dominant Carrier that provides both regulated and nonregulated intrastate service shall allocate intrastate investments, expenses and revenues between regulated activities and nonregulated activities according to the principles, procedures and accounting requirements in Part 32 and Part 64.” GTA is the “incumbent local exchange carrier in the Territory of Guam”; as such, the Affiliate Transaction Rules, including Rule 7, Allocation of Costs, apply to GTA/TeleGuam.²²

h) In addition, Rule 5, Prohibition Against Cross-Subsidization, provides:

“A Dominant Carrier shall not use revenues from services that are not competitive to subsidize services subject to competition. A Dominant Carrier shall not use revenues from regulated services to subsidize the services or products of its Affiliates.”²³

²⁰ PDS Public Comments, GTA Docket 11-14, filed February 6, 2012.

²¹ Supplemental Briefing in Support of the Joint Application, at p. 4.

²² See Rules 2, 4(d) and 7 of the Affiliate Transaction Rules.

²³ Rule 5 of the Affiliate Transaction Rules.

Furthermore, Rule 6, Uniform System of Accounts, requires all Dominant Carriers to comply with the Uniform System of Accounts adopted by the FCC in Part 32.²⁴

i) Thus, even though TeleGuam will no longer have “affiliates” subject to Rule 8, there are sufficient safeguards under Affiliate Transaction Rules 5, 6, and 7 to prohibit TeleGuam from engaging in “cross-subsidization.” The present Affiliate Transaction Rules of the PUC have sufficient safeguards and no further amendments appear to be necessary at the present time.

j) There are also additional safeguards in federal law applicable to TeleGuam which prevent cross-subsidization. 47 U.S.C. §254(k) prevents a telecommunication carrier from using services that are not competitive to subsidize services that are subject to competition. TeleGuam will be required to follow the rules of the Federal Communications Commission for Allocation of Costs between regulated and non-regulated activities in accordance with 47 C.F.R. Part 32 and 47 C.F.R. Part 64.

k) Even after consolidation, affiliate transactions presently covered under Telecom’s Cost Allocation Manual, Section V will henceforth be covered by CAM Section II, Non-Regulated Activities.²⁵ TeleGuam will still be required to utilize cost allocation standards for apportioning costs between regulated and non-regulated activities.²⁶ TeleGuam will revise its CAM Cost Apportionment Table to add the additional pools associated with each of the unincorporated non-regulated division for accounts. Its underlying method of compliance with the FDC (fully distributed cost) does not change.²⁷

l) TeleGuam will revise the Telecom CAM to reflect the changes discussed and submit the TeleGuam CAM to the Commission for review.”²⁸

m) TeleGuam shall file its updates to the CAM in the month of March following the reporting year.²⁹

²⁴ Id. at Rule 6 of the Affiliate Transaction Rules.

²⁵ Supplemental Briefing in Support of the Joint Application, p. 7.

²⁶ 47 U.S.C. §32.23(c).

²⁷ Supplemental Briefing in Support of the Joint Application at p. 10.

²⁸ Id. at p. 11.

²⁹ Id. at p. 13.

- n) Telecom is subject to a rigorous auditing process whereby an independent auditor appointed by the FCC Office of the Inspector General closely reviews GTA's compliance with various federal regulations and laws concerning provision of Universal Service Support to GTA by the FCC and Universal Service Administrative Company.³⁰ Such audit also seeks to ensure compliance by GTA with proper accounting procedures.
- o) The protections provided by Rule 7 of the GPUC Joint Cost Rules and expansion of the non-regulated subaccounts/revisions to the CAM Cost Apportionment Table will preserve the safeguards intended to protect ratepayers from cross-subsidization of competing ventures as contemplated by Section 254(k) of the Communications Act.³¹
18. In the Joint Application, the Applicants request that the PUC transfer the Eligible Telecommunications Carrier Certificate from Telecom to TeleGuam. On September 19, 2011, the Chairman of the PUC issued a "Use Certification" to the FCC and the Universal Service Administration Company certifying that GTA Telecom LLC will use federal high cost support funds only for the provisioning, maintenance and upgrading of facilities and services for which the support is intended, consistent with Section 254(e) of the Communications Act.³²
19. Under federal law, the PUC does have the authority to designate a common carrier that meets applicable requirements as an eligible telecommunications carrier, and to approve of a carrier relinquishing its designation as an ETC.³³ Given the broad authority of the PUC to designate Eligible Telecommunications Carriers, it is appropriate for the PUC, upon compliance by Applicants with all terms and conditions of a PUC Order herein, to authorize the transfer of the ETC Certificate from Telecom to TeleGuam.
20. All such terms and conditions applicable to the ETC Certificate for Telecom shall continue to bind TeleGuam, and all federal law requirements applicable to such
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³⁰ Id.

³¹ Supplemental Brief, GTA Docket 11-14 at p. 11.

³² PUC "Use Certification", GTA Docket 11-10, issued by Chairman Jeffrey C. Johnson on September 19, 2011.

³³ 47 U.S.C. §§214(e)(1) and (e)(4).

certificate shall continue to apply to TeleGuam. In this Docket, TeleGuam has represented that it will continue to provide the nine core services currently provided by Telecom with regard to its ETC designation.

21. An issue was raised in the public hearing as to whether TeleGuam has complied with a requirement in the Asset Purchase Agreement between Guam Telephone Authority and TeleGuam Holdings LLC (the agreement that led to the privatization of GTA). Therein TeleGuam agreed to use “commercially reasonable efforts” to implement certain infrastructure enhancements set forth in Schedule 6.10(e), which implementation was conditional and subject to variables such as changes in market conditions, receptivity of customers of the business to new products, and the financial condition of the business.³⁴
22. Schedule 6.10(e)(8) indicates that over a period of five years following the closing of the GTA – TeleGuam transaction, TeleGuam agreed to “deploy WiFi technology in public schools and libraries.”
23. This issue was previously addressed in the ALJ Report in GTA Docket 10-09 regarding the request for PUC Approval of the transfer of control of TeleGuam and GTA Telecom to AP TeleGuam Holdings. There TeleGuam indicated that it could deploy WiFi technology to the schools and libraries, but at present MCV and PDS are currently contracted by the government to provide telecom and broadband services to the public schools and libraries.³⁵
24. Other considerations remain as to whether the deployment of Wi-Fi technology is “commercially reasonable”, within the receptivity of customers, or within the financial condition of GTA. These matters have not been established in the record herein. At the present time, there is no showing that TeleGuam is in non-compliance with any requirements under the Asset Purchase Agreement to deploy Wi-Fi technology. In any event, even a showing of non-compliance with such a requirement would not necessarily support a conclusion that the transfer of the COA from Telecom to TeleGuam is “contrary to the public interest.”

³⁴ Asset Purchase Agreement between GTA, the Government of Guam and TeleGuam Holdings LLC, dated August 31, 2004, at Section 6.10(e); Schedules for Asset Purchase Agreement, Schedule 6.10(e) Infrastructure Enhancements, dated August 31, 2004.

³⁵ ALJ Report, GTA Docket 10-09, ¶78, dated February 18, 2011.

ORDERING PROVISIONS

After review of the Joint Application, with supporting materials, the Supplemental Brief and filings, the materials and comments submitted by the parties and members of the public, the Administrative Law Judge Report, and the record in this docket, and for good cause shown, the Guam Public Utilities Commission **HEREBY ORDERS** that:

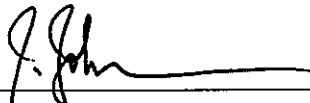
1. All rulings and orders of the ALJ in this proceeding are confirmed and ratified. All motions not heretofore granted or denied are denied. No other matters currently require discussion.
2. The Report issued by the ALJ on March 21, 2012, is hereby adopted and approved. The PUC concurs with the determinations and findings therein.
3. The Joint Application of Telecom and TeleGuam to transfer the Certificate of Authority presently held by Telecom to TeleGuam is approved, subject to the terms and conditions set forth herein.
4. TeleGuam satisfies the requirements of 12 GCA §§12103(c) and (g): TeleGuam will have sufficient financial, technical and managerial resources and abilities to provide the telecommunications services provided under the existing Certificate of Authority.
5. The transfer of the Certificate of Authority from Telecom to TeleGuam is not contrary to the public interest.
6. Pursuant to its authority under the Federal Communications Act, the PUC, upon completion of all of the business transactions set forth in the application, approves the transfer of the Eligible Telecommunications Certificate from Telecom to TeleGuam, and shall designate TeleGuam as a common carrier that meets applicable requirements as an eligible telecommunications carrier (if it is in compliance with all applicable requirements).
7. Authorization for Applicants to complete transfer of the COA and ETC Certification is subject to certain conditions (approval is conditioned upon satisfaction of certain additional requirements): (1) Applicants must satisfy all requirements of the Federal Communications Commission with regard to this transaction, complete all necessary proceedings required by the FCC, and obtain

all necessary FCC approvals; (2) all terms and conditions of the Assignment and Contribution Agreement must be materially complied with, and the transaction completed in all material respects; (3) Once the proposed transaction is completed in all respects, TeleGuam Holdings, LLC shall continue to be subject to the terms, conditions and requirements of 12 GCA §12103, and all PUC rules, regulations and orders; (4) TeleGuam must comply with its representation, made of record, in the DECLARATION OF ROBERT HAULBROOK, PRESIDENT AND CEO OF TELEGUAM HOLDINGS, LLC, filed on December 19, 2012, that TeleGuam will comply with all terms and conditions of the Certificate of Authority presently held by GTA Telecom LLC.

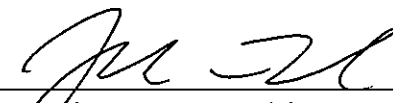
8. Approval of the transfer of the COA to TeleGuam is conditioned upon certain other requirements:
 - (a) TeleGuam shall pay all costs and expenses related to any necessary amendments of the interconnection agreements presently in effect between Telecom and other carriers;
 - (b) TeleGuam shall honor all existing agreements between Telecom and other carriers, and receive, and accept liability for, all deposits of other carriers presently held by Telecom;
 - (c) TeleGuam should honor all current and binding agreements between itself and other telecommunications carriers.
 9. TeleGuam will revise the Telecom Cost Allocation Manual to reflect the changes proposed and agreed to by TeleGuam in the record herein and submit the TeleGuam CAM to the Commission for review and approval within one hundred and twenty (120) days from the date of this Order.
 10. TeleGuam, on a going forward basis, must annually file its Cost Allocation Manual with the Commission, or a statement that no changes were needed or made during the calendar year, no later than the end of March of each year hereafter, in accordance with Rule 9 of the Affiliate Transaction Rules.
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11. TeleGuam Holdings, LLC, is ordered and directed to pay the PUC's regulatory expenses and fees in this docket.

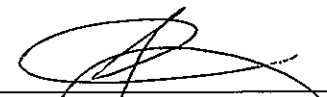
Dated this 26th day of March, 2012.



Jeffrey C. Johnson
Chairman




Joseph M. McDonald
Commissioner



Rowena E. Perez
Commissioner

Filomena M. Cantoria
Commissioner



Michael A. Pangelinan
Commissioner