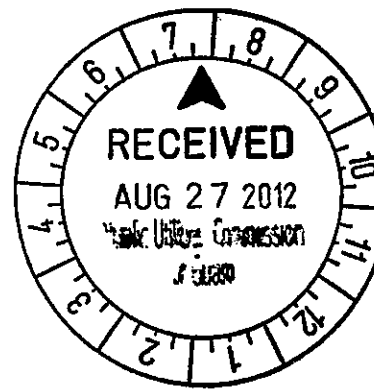


GUAM PUBLIC UTILITIES COMMISSION
SPECIAL MEETING
JULY 30, 2012
SUITE 302, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a special meeting commencing at 6:30 p.m. on July 30, 2012, pursuant to due and lawful notice. Commissioners Johnson, McDonald, Montinola, Perez, and Pangelinan were in attendance. The following matters were considered at the meeting under the agenda made *Attachment "A"* hereto.

1. Ratification

The Chairman announced that the first matter for consideration before the Commission was GTA Docket 12-03, Petition of TeleGuam Holdings LLC and Guam Telecom LLC for Approval of the Interconnection Agreement, PUC Counsel Report and Order dated June 20, 2012. Counsel indicated that the Chairman had already signed an Order in this matter approving the proposed interconnection agreement between TeleGuam Holdings LLC and Guam Telecom. Counsel indicated that the Chairman signed the order because of the need for the parties to be able to quickly proceed with implementing the agreement they had reached. Here the parties had adopted an agreement very similar to that previously entered into by GTA and PDS, which interconnection agreement was approved by the PUC. Counsel found in his report that the proposed ICA did not discriminate as to other telecommunications parties. He recommended that the Commissioners ratify the Chairman's Order approving the GTA-GT Interconnection Agreement.

However, Commissioner Pangelinan indicated that he could not participate in this matter, as one of the parties was his client. Than being the case, the Chairman indicated that there was no quorum on this matter and that it would be postponed until the next meeting

2. Port Authority of Guam

~~The Chairman announced that the next item of business was PAG Docket 11-01,~~
Petition for Tariff Rate Relief, ALJ Report, and Proposed Order. Counsel indicated that, in the Port's Rate Relief Order, the PUC had ordered that certain actions be taken by the Port, certain reports filed, in accordance with deadlines. In a recent letter to ALJ Mair, the Port had indicated that it wished to amend and alter certain of the current deadlines for matters which needed to be undertaken. The ALJ's Report sets forth an amended schedule of deadlines for various

matters. By August 22, 2012, the Port would be required to file its five-year rate plan; by November 22, 2012, a financing plan for completion of Phases 1 and 2 of the 2007, Master Plan; by August 22, 2012, a management audit which indicates various matters concerning staffing, terminal operations, management techniques, material handling equipment analysis, etc. The Order herein would merely clarify the scheduling of deadlines for the performance of certain actions by PAG and the submission of reports. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the amendment of the Rate Relief Order, with the purpose of amending deadlines for certain actions and submission of reports. The Commissioners adopted and approved the Order made *Attachment "B"* hereto.

The Chairman then asked Counsel whether he wished to make any comments on PAG Docket 12-01, Review of POLA Sales Agreement & Interim Maintenance Agreement. Counsel indicated that the PUC Port Authority Consultants were evaluating the crane purchase, but had indicated to ALJ Mair that they weren't able to finish their report in time for this meeting. The PUC consultants requested a continuance, which ALJ Mair found to be acceptable under the circumstances. ALJ Mair recommends that this matter be postponed until the next meeting. The Chairman then indicated that the Commissioners would proceed to consider the next matter on the Agenda.

3. Pacific Data Systems Inc.

The Chairman indicated that the next matter for consideration was PDS Docket 12-01, Formal Complaint Regarding GTA's Rejection of Dark Fiber Order, Stipulation of the Parties, and Proposed Order. Counsel indicated that this matter was initially contested. PDS filed a complaint which indicated that GTA had been unwilling to connect dark fiber to PDS facilities at the Guam International Airport. Various proceedings and scheduling conferences had taken place in this matter; on July 27, 2012, the parties filed a stipulation to dismiss the docket indicating that they had settled their disputes. Counsel indicated to the Commissioners that he had prepared an Order indicating that the parties had agreed that virtual collocation arrangements could be made at the GTA Servicing Wire Center located within the airport facility.

The parties would proceed here by collocation. GTA provided a price quote for the collocation, and the parties have reached an agreement on such pricing. The only matter which could not be agreed upon was the manner in which the PUC costs in this Docket would be apportioned. The proposed Order indicates that the Commission would agree to dismiss the case but retain jurisdiction over the issue of cost allocation. That issue will be referred to the ALJ, and the ALJ will then report to the Commission at next month's meeting on how the PUC costs in this docket should be apportioned. Upon motion duly made, seconded and

unanimously carried, the Commissioners adopted and approved the Order made *Attachment "C"* hereto.

4. TeleGuam Holdings LLC

The Chairman announced that the next matter for consideration was GTA Docket 12-02, Tariff Transmittal No. 19, GCG Report, and Proposed Order. Counsel indicated that TeleGuam had filed notice with the Commission of its intent to revise the telephone assistance programs. Those programs are funded through federal subsidies with the Federal Communications Commission. Such programs are established under the Code of Federal Regulations. In January of this year, the FCC issued an order which revised these programs, one of which is the Lifeline Services Program. That program provides subsidies to eligible customers in Guam, basically for low-income customers. The amount of the subsidy was reduced under the federal program. GTA is unable to seek the same amount of reimbursement from the FCC that it previously could.

The second major change is to the Lifeline and Link-Up Program. This program provided a federal subsidy for eligible low-income persons who could receive up to \$30.00 for the initial connection fees for telecommunications services. The FCC has eliminated the subsidy. After GTA filed its Petition, PUC caused a public notice to be filed and published in the Pacific Daily News. No comments have been filed with the PUC in response. This matter was referred to GCG. In its report, it indicated that the monthly amount of the subsidy should be \$12.75, not the amount of \$9.25 which GTA had suggested. GTA had apparently had not taken into account an additional federal subsidy it was receiving each month of approximately \$3.50 per eligible customer. GTA agreed with the GCG Report, and submitted a revised tariff. In accordance with FCC action, the prior subsidy under the Link-Up program will be eliminated. The proposed Order will approve those changes in accordance with the revised tariff submitted by GTA. Upon motion duly made, seconded and unanimously carried, the Commissioners approved Tariff Transmittal No. 19 and adopted the Order made *Attachment "D"* hereto.

The Chairman then stated that the next item on the Agenda was GTA Docket 12-04, Individual Case Basis Filing (Holiday Report), PUC Counsel Report and Proposed Order. After tracing the history of the ICB tariff, counsel indicated that GTA had made an ICB filing for Holiday Resort with a proposed contract. GTA meets the requirements for an ICB filing that at least 10 business lines be provided to the customer. Here GTA will be providing seven analog lines to Holiday Resort, and, in addition, one ISDN PRI, which is the primary rate interface line. The ISDN PRI has 24 channels, 23 of which are voice and one of which is data. Each of the voice lines could be deemed as a separate line. In this case, it's clear that the ten-line requirement is met. GTA also provided a LRIC

study done on the ISDN PRI. Here GTA will also provide to Holiday Resort direct inward dial number assignments for Block DID. The incremental cost studies for both DID number assignments and ISDN PRI indicate that the prices offered by GTA to HR are not below incremental cost. Such requirement is satisfied. The cost for the lines in this case does not exceed the tariff prices. The same is true for Block DID rates. The proposed Order would approve the ICB filing and tariff as indicated. Upon motion duly made, seconded and unanimously carried, the Commissioners approved GTA's ICB filing for ISDN PRI and Block DID services to Holiday Resort. The Commissioners approved the Order made *Attachment "E"* hereto.

5. Guam Solid Waste Authority

The Chairman indicated that the next matter for consideration by the PUC was GSWA Docket 12-02, GBB Request for Establishment of a Host Community Benefit Premium Fee pursuant to Public Law 30-165, ALJ Report, and Proposed Order. Counsel indicated that, in its recent Rate Request, GSWA indicated that Public Law 30-165, passed in July of 2010, created a "Host Community Premium." The Legislature determined that the villages of Inarajan and Ordot were to each be awarded the amount of \$150,000.00 per year as a "premium." Such payment is in the nature of compensation to the villages for the detriment of having landfills in their communities. The premium is to be funded through solid waste tipping fees. Thus, assessments must be added on to the existing tipping fee bills for commercial and residential customers. The PUC is responsible for "equitably determining" the host community premium for each residential and commercial account.

The Receiver Mr. Manning recommends a fee of \$3.57 per ton assessed upon commercial customers; and, upon residential customers, the amount of \$.38 per month. Such fees would fund the host community premium benefit for the two villages. The PUC held a public hearing on this matter. Based upon the testimony received, and the review of the ALJ, it appears that Mr. Manning has correctly determined the amounts that should be assessed as tipping fees upon residential and commercial customers to fund the host community premium benefit. Counsel then explained the method by which the calculations had been made. The ALJ thus recommends that the host community premium fees, in the amounts set forth in Mr. Manning's testimony, be approved. The ALJ Report ~~also recommends a protocol for determining how the fees will be collected, set up, etc.~~ The Proposed Order adopts the recommendations in the ALJ Report as well as in the protocol.

For the time being, the ALJ recommends that the tipping fee assessments for the host community premium benefits be assessed on a "going forward" basis, rather than as retroactive rate making. These assessments will become effective

on invoices issued to commercial and residential customers after October 1, 2012. Commissioner Perez asked Counsel whether there was any responsibility on the PUC's side to ensure that the funds are properly transferred into the host community premium by the Department of Administration. Counsel indicated that PUC was not responsible. With the host community premium benefit, there has to be a village municipal council resolution before the funds can be expended, which resolution is transmitted to DOA. But, after the PUC establishes the surcharge, there is no further role for the PUC (other than to review the surcharge every five years and determine whether it's adequate). Upon motion duly made, seconded and unanimously carried, the Commission approved the Host Community Premium Benefit surcharges, and approved the Order made *Attachment "F"* hereto.

6. Guam Waterworks Authority

The Chairman announced that the next item on the agenda was GWA Docket 11-01, Petition for Expedited approval of \$23M in Bond Reprogramming Funds, ALJ Report, and Proposed Order. Counsel indicated that, in its Petition, GWA seeks approval to reallocate over \$23M of 2010 bond funds to complete several projects required under the November 10, 2011 District Court Order regarding preliminary rate relief. The projects are broken down into different areas including potable water projects, wastewater projects, electrical engineering projects, and other projects. The ALJ Report covers these specific projects in detail and the financial needs of each project. GWA has determined that there is a more immediate need to fund some projects out of 2010 bond funds rather than the projects to which the bonds funds were originally allocated. Some projects will be delayed until the anticipated 2013 bonds are issued. The ALJ concurred with the recommendations of GWA regarding the proposed reallocations of bond funding. The proposed Order recommends that GWA provide a report on or before September 1, 2012, explaining what steps or actions GWA has taken with regard to the 2013 bond issuance.

In the Proposed Order, the ALJ recommends that the PUC approve the expedited petition to reallocate \$23M+ of the 2010 bond funds with one major qualification. The qualification is that GWA, consistent with the Superior Court's decision of June 7, 2012 in the GWA v. PUC case, retain \$20M in bond funds and pay \$20M to the government of Guam. The ALJ interprets the Superior Court decision to require that GWA pay \$20M to the government of Guam. Furthermore, the Superior Court decision requires that the \$20M be paid out of the 2010 bonds. Upon motion duly made, seconded and unanimously carried, the Commissioners approved GWA's request to reallocate \$23.246M in bond funds, subject to the condition that GWA reserve \$20M for payment to the government of Guam. The Commissioners approved the Order made *Attachment "G"* hereto. Legal Counsel Sam Taylor of GWA asked whether the supplemental filing of

GWA was considered during the deliberation. PUC Counsel indicated that it had been.

7. Guam Power Authority

The Chairman announced that the next item of business was GPA Docket 12-04, Petition for Approval of Exercise Extension Option for Engine Cylinder Lubrication Oil Contracts with IP&E, PUC Counsel Report, and Proposed Order. Counsel indicated that the current Diesel Engine Cylinder Lubrication Oil Contract the one that GPA currently has with Isla Petroleum and Energy LLC. The contract commenced February 1, 2010 and will expire on January 31, 2013. There is a renewal provision in the contract that allows for two one-year annual renewals. The estimated cost of this contract is approximately \$2M per year. The parties have both agreed to extend the contract. GPA requests PUC approval to extend the current contract for an additional term from February 2013 and January 31, 2015. This contract supplies the cylinder lubrication oil needed for the Cabras units 3 and 4. It is necessary to provide an uninterrupted supply of electricity and to meet the island-wide utility power demand.

GPA has determined that it would be less expensive to renew the existing contract than to go out to bid. Going out to bid could result in higher prices and premiums, due to the rising cost of delivery. The Counsel Report recommends that the Commission approve the extension of the Lubrication Oil Contract for Cabras Units 3 and 4 through January 31, 2015. Upon motion duly made, seconded and unanimously carried, the Commissioners authorized GPA to extend its current Engine Cylinder Lubrication Oil Contract with IP&E Guam LLC from February 1, 2013 through January 31, 2015. The Commissioners approved the Order made *Attachment "H"* hereto.

The Chairman indicated that the next item of business on the agenda was GPA Docket 12-05, GPA Petition for Approval to Exercise Extension Option for Diesel Fuel Supply Contracts with IP&E Guam LLC, PUC Counsel Report and Proposed Order. Counsel indicated that this contract involves diesel fuel oil used for both the Northern and Southern Plants. The cost of this contract is approximately \$10M per year. The new contracts contain options to extend the contract for two addition one-year terms. GPA asks the PUC for approval to extend the contracts from December 1, 2012 to November 30, 2014. The diesel fuel provided by IP&E is necessary for the GPA diesel-fired power plants to provide necessary generation capacity and to avoid shutdowns. The authorization for these extensions will provide GPA with a continuous supply of fuel. GPA believes the cost will be lower if they extend these contracts for two years, rather than going out to bid again. Premiums would likely increase upon a rebid. There has already been an amendment under these contracts that resulted in a cost savings regarding the Tenjo Vista Plant. Recent legislation now

requires that diesel fuel imported to Guam meet EPA standards for Ultra-Low Sulfur Diesel Fuel. Counsel recommends that the Commission approve the requests for two year contract extensions. Upon motion duly made, seconded and unanimously carried, the Commissioners authorized GPA to extend each of the contracts for Diesel Fuel with IP&E for two years. The Commissioners approved the Order made *Attachment "I"* hereto.

The Chairman announced that the next item on the agenda was GPA Docket 12-06, Levelized Energy Adjustment Clause, GCG Report, and Proposed Order. Counsel indicated that the proposed Order sets forth the background in this matter. GPA's June 15, 2012, LEAC Filing requested that the LEAC Factor per kWh be decreased from \$.1923 to \$.190263. That would be the factor if the fuel "under recovery" was recovered over the next six month period; but, if only half of that amount, \$2.4M, were recovered during the six month LEAC period, and the remaining \$2.4M in the next LEAC period, then the LEAC factor would be decreased to \$.186362 per kWh. In addition, based upon the slight decrease in the projected fuel costs from the prior LEAC period, GPA had requested that the working capital fund surcharge also be decreased for both civilian and Navy customers from \$.0078 to \$.00761.

The GCG Report, filed in July 2012, indicated several issues, including that the average equivalent availability rate for the Cabras 2 unit was substantially below the required standard. GCG also indicated that GPA's new fuel hedging program was still at the very initial stages of implementation, and that GPA needed to comply with the GCG recommendations contained in the PUC's Order in GPA Docket 10-03. GCG also indicated that, although the Commission had previously set the "line loss" acceptable for GPA at rate of 7%, GPA should use the actual unaccounted for energy value in setting the line loss rate so that consumers are properly charged on a current basis the impact for unaccounted for energy.

GCG concluded that the LEAC factor should recover the "under recovery" on fuel within the next six month period, not over a 12 month period as alternatively proposed by GPA. Fuel under recovery is traditionally recovered during the six-month LEAC period, and GPA's cash situation made it advisable to allow a recovery by GPA during this six-month period. GCG did not concur with GPA's proposal to reduce the working capital fund surcharge. Since the decrease was relatively minor, the issue of the WCF should be further examined in Phase 2 of the rate case proceedings. Factors, such as IPP costs and O&M expenses also need to be taken into account before the WCF surcharge is changed. Finally, the GCG Report indicated that GPA should use actual usage factors for determining charges to primary transmission line users in the next LEAC filing, rather than predetermined percentages.

Counsel indicated that the proposed Order would adopt the LEAC factor suggested by GCG, which took into account the July Morgan Stanley fuel price projections. A factor for secondary customers would be \$.186834 per kWh. The LEAC factors for primary and other transmission level customers are also set forth in the Order. The proposed LEAC factor reflects a 1.95% decrease in the total bill for residential customer utilizing an average of 1,000 kilowatts per month (approximately \$5.48 per month). Other reporting requirements and required actions by GPA are included in the proposed Order. In the next LEAC filing, GPA should report on the status of 14 fuel hedging recommendations adopted in GPA Docket 10-03, and a modified milestone schedule.

Commissioner Perez asked why GPA was not using the actual loss multipliers to determine the line loss. GPA CFO Wiegand indicated that it was an oversight, and GPA didn't believe that they had exactness on the numbers. Commissioner Perez asked about the implementation of the hedging program. Mr. Wiegand indicated that, at present, GPA continues to use the "no-cost collar" hedging approach. That approach appears sufficient at present, rather than breaking into the hedging program. The Chairman indicated that the goal eventually is to go to the new fuel hedging program format, and CFO Wiegand concurred. The Chairman asked whether there was an anticipated start date. CFO Wiegand indicated that there was a lot of work to be accomplished and GPA was still determining how to free up staff time to implement the program. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the LEAC Factor for the next six month period suggested by GCG and adopted the order made *Attachment "J"* hereto.

The Chairman stated that the next item on the agenda was GPA Docket 11-13, GPA Petition for Contract Review of Substation Automation Contract under the Smart Grid Project, PUC Counsel Report, and Proposed Order. Counsel indicated that this contract for Substation Automation was another one of the elements of the Smart Grid Program. After a review of proposals, GPA awarded the Substation Contract to Black Construction Corporation. The amount of this contract will be approximately \$3.2M. There was a competitive bid, with five vendors responding to the RFP. The project will upgrade GPA's substation network through the replacement of electromechanical relays with modern relays, and with the upgrading of existing digital relays and relay communications and system protection practices. This includes the implementation of a secure substation and LAN infrastructure and convergence of data network and voice application on an IP-based infrastructure. Also included is substation metering to better account for system losses and remote revenue meters with power quality functions for large industrial customers like the Navy. The contract itself appears to be a mutually negotiated, well-thought out agreement.

Black Construction provides GPA with project management, technical support, change management services, software installation, software configuration testing, etc. The substations that are initially targeted for this project include Agana, Cabras, Harmon, MEC, Piti, Tamuning, and Tanguisson. Counsel recommends that the Commission approve this project. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Substation Automation Contract between GPA and Black Construction Corporation under the Smart Grid Project. The Commission adopted the Order made *Attachment "K"* hereto. GPA officials indicated that the US Department of Energy appeared to be satisfied with the progress of the Smart Grid Project by GPA.

The Chairman indicated that the next item of business on the agenda was GPA Docket 12-07, GPA Petition for Approval and Use of 1999 Bond Funds for the Cabras 1 & 2 Distributed Control System (DCS) Conversion, PUC Counsel Report and Proposed Order. Counsel stated that GPA was seeking approval to use existing 1999 bond funds for the Cabras 1 & 2 Distributed Control System conversion. At present there is a pneumatic control system at Cabras 1 & 2. The original controls, implemented in 1975, are now obsolete. TEMES, the PMC for GPA for Cabras 1 & 2, prepared a report/feasibility study for the upgrade of the controls to a distributed control system. The new system will allow the plant to operate within tighter control set points on key perimeters, including super heater temperature, re-heater temperature, steam pressure, oxygen levels, combustion control, and to respond more quickly to system changes. The goal sought is a more efficient operation of the plant resulting in an improvement in the heat rate.

Counsel further stated that the DCS would provide improvements in data acquisition, data login, trending, and alarms which allow the operators to be more proactive in responding to potential system failures (leading to improved plant availability). GPA's PMO, Armstrong, concurred that the cost was fair and reasonable for this project. Originally, in 1999, \$1.3M had been allocated for this project as part of the 1999 bond series. However, now GPA asks to use \$6M in total to fund this DCS project. Counsel believes that GPA has justified implementation of the DCS Project. TEMES reports that reduction in fuel use is also a major benefit of the project. It guarantees that plant efficiency will be increased by 1.17% with savings estimated at approximately \$1.2M annually. GPA projects that there will be a discounted payback on the project in between 2.8 and 3.7 years. Counsel recommends approval of the project.

Commissioner Perez asked whether funds were being taken from other projects which began in 1999 to fund this project. GM Flores indicated that GPA would use project lapses and bond fund lapses. Commissioner Perez wondered whether funds would be taken from other project by this project. GM Flores

indicated that the DCS project was of a very high order ranking. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the use of 1999 bond funds in an amount up to \$6M for the Cabras 1 & 2 Distributed Control System Conversion. The Commissioner approved the Order made *Attachment "L"* hereto.

The Chairman announced that the next agenda item was GPA Docket 12-08, GPA Petition for Approval of the Utility Services Contract for the U.S. Navy, PUC Counsel Report and Proposed Order. Counsel stated that the new proposed Utility Services Contract with the Navy would essentially replace the existing Customer Services Agreement. GPA has submitted a Power Point presentation which fully sets forth the changes from the old CSA to this new USC. This contract was well negotiated by the parties over a two-year period. Under the USC, GPA will continue to provide electric utility service to military installations on Guam. The Navy is GPA's largest customer. This 10-year contract will insure a steady stream of revenue to GPA in the amount of \$70M per year. Unlike in other jurisdictions, here on Guam the Department of Defense has recognized GPA as the sole company charged with operating and maintaining the island-wide power system. The provision of adequate and efficient electric service is in support of the DoD's military mission.

According to Counsel, GPA was able to negotiate the transfer of additional Navy substations, transmission, and distribution assets to GPA. Four power plants with substations have a value of \$129M+, and a 16.5 mile petroleum oil lubricants fuel line, with easements, has the value of \$67.5M. Unlike under the old CSA, Navy will now make payments to GPA within 15 days of invoice, rather than 30 days. There is an 85% minimum demand provision in the contract, but the maximum contract demand provision has been moved. Through the USC, the Navy recognizes the role of the PUC to oversee the relationship between GPA and Navy regarding power rates. Navy agrees to comply with PUC decisions concerning power matters and for dispute resolution purposes. Counsel recommends approval of the Utility Services Contract.

Commissioner Perez asked what had been the term of the CSA. GPA Counsel Botha indicated that it had been for 20 years. For the new USC, the Navy had only been able to secure an additional 10-year term. Chairman Johnson asked whether GPA had previously bought water from Navy at Navy rates. Counsel Botha indicated that GPA previously had a preferred transmission level rate from the Navy, but now would have to pay more than \$1M per year to Navy at the standard GWA commercial rates. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Utility Services Contract between GPA and the U.S. Navy. The Commissioners adopted the Order made *Attachment "M"* hereto.

The Chairman announced that the final item on the agenda for GPA was GPA Docket 12-09, Procurement of Residual Fuel Oil No. 6 for the Base Load Power Generating Plants, PUC Counsel Report, and Proposed Order. Counsel indicated that this contract for residual fuel oil, No. 6, for the base load power generating plants is the largest contract involving the government of Guam. It is an annual contract requesting over \$300M. However, the present contractor, Petrobras, has indicated that it does not wish to extend the contract for two one-year extensions. This contract will expire February 28, 2013. GPA is asking the PUC at this point to authorize it to go out for a bid on a new fuel oil contract.

Petrobras has indicated to GPA that the main problem it has is with the existing fuel oil contract is the cost of blending various fuel components and requirements in terms of viscosity, vanadium content, and gravity requirements. Petrobras suggests that GPA revise those requirements to make it less costly to provide the fuel oil. GPA's PMO Armstrong has recommended that GPA revise the aforementioned requirements. In the proposed bid, bidders will have an opportunity to submit proposals based upon fuel requirements with modified levels of vanadium, viscosity, and gravity. GPA believes that this change in the fuel requirements will secure a broader number of bidders to bid for the contract. Under this contract GPA procures approximately 3M barrels a year, 2M of which is for high-sulfur fuel and 1M for low-sulfur fuel.

The contract has protections for GPA such as placing risk of loss on the contractor/bidder until title to the fuel oil passes to GPA. There are also substantial performance and payment bond requirements. GPA needs to procure this residual fuel oil No. 6 for its base load operating plants. Counsel recommends that the PUC authorize GPA to issue a procurement for residual fuel oil No. 6. GPA will submit the final contract to the PUC for further review. Chairman Johnson asked whether GPA was seeking to procure a lower quality of fuel oil but cheaper. GM Flores indicated that these different parameters will enable the market to provide its best price forecast for the residual fuel oil. GPA is anticipating higher prices. Commissioner Perez asked about the current pricing. GM Flores indicated that it was above \$350M per year. The Chairman clarified that other countries in the region, such as China, Taiwan, etc. use this thicker higher vanadium content type fuel. Upon motion duly made, seconded and unanimously carried, the Commissioners authorized GPA to issue a procurement for Residual Fuel Oil No. 6 for the Base Load Power Generating Plants. The Commissioners adopted the Order made Attachment "N" hereto.

8. PUC Website

Counsel reported on meetings with the Administrator and the new provider, Ideal Advertising. There is still some information and turnover processes that we are seeking from the previous provider. The first step will be transferring the

minutes and agendas to update our website, and then to proceed with updating the dockets.

9. Administrative Matters

Legal Counsel reported on the ALJ Report and recommendations regarding Decision and Order of the Superior Court in SP118-11 [GWA v. PUC]. Counsel stated that the court Order found that the PUC should've instituted a lawsuit against GWA in the Superior Court rather than ordering it to pay \$20M to the government of Guam. However, on all of the substantive issues, the Superior Court upheld the positions of the PUC: it found that Public Law 30-145 was constitutional; said that Public Law does not impair the obligation of GWA's contracts. Specifically the Court found that GWA was required to pay \$20M to the government. The Court also rejected GWA's argument that GWA should pay the \$20M in a subsequent series of bonds. The Court found that Public Law 30-145 increased the amount of the bonds from \$220M to \$240M, and required GWA "to pay the Government of Guam \$20M from the proceeds of such bonds." GWA was required to pay the \$20M from the 2010 bonds.

Counsel indicated that ALJ Mair had prepared an ALJ Report and proposed Order. It indicates that the \$20M obligation of GWA is still binding and that that amount must be paid by GWA to the government. It reiterates the findings of the Court as referenced above. Because the Court found that the PUC did not have authority to order GWA to pay the \$20M to the government of Guam, the ALJ recommends that the PUC vacate the June 2, 2011 Order. Furthermore, the PUC should recommend to GWA that it comply with the obligations required by Public Law 30-145. Finally, he recommends that the PUC approve expenditures from the 2010 bond funds provided that GWA restrict and observe an unencumbered amount of \$20M for such bond funds for payment to the government of Guam. Those determinations and recommendations are embodied in the proposed Commission Order.

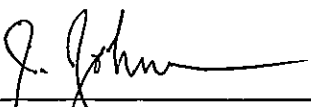
Commissioner Perez asked whether other PUCs have the authority to make such orders. Counsel indicated that he wasn't certain; however he did believe that there was still a good faith argument under 12 GCA §12005 that the PUC has the power over utility expenditures involving the disposition of bond funds. There is also another statute which basically says that the PUC can make recommendations when a utility is violating the law and then bring suit to compel compliance. Commissioner Perez then asked whether, if the PUC has to approve how bonds are programmed, it had the power to require GPA to seek bonds in compliance with the law. Counsel indicated that her understanding was correct. Commissioner Perez then asked what was the difference, if PUC could condition approval for bond project expenditure of the funds. Counsel stated that under both the statutes and the applicable contract review protocol,

PUC does have the authority to approve the use of any bonds; the PUC can reallocate bond funds uses or condition the use of bond funds by a utility. However where the PUC wishes to order a Utility to comply with public law, the Court found that such went beyond the powers of the PUC. The Court disagreed with the ALJ's proration of the amount owed by GWA and used the \$20M number. The Court took the number in the statute, \$20M, and indicated that was the amount GWA owed. The Chairman confirmed that the court did not agree with the ALJ's argument regarding proration. The Chairman asked what amount GWA had left from the 2010 bond funds. Counsel estimated in the range of \$50M. Commissioner Pangelinan asked about the provision in the Order which requires GWA to pay all legal counsel fees. Counsel indicated that all ALJ fees and expenses of the docket would be paid by GWA. The Commissioners indicated that the proposed Order was already approved.

Counsel stated that he had prepared a memorandum for the Commissioners' signatures, which would approve the selection of Slater Nakamura & Co. as the PUC Telecommunications Consultant under PUC RFP 11-02. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the selection of Slater, Nakamura & Co. as the PUC Telecommunications Consultant.

Counsel indicated that the PUC may need a Solid Waste Consultant, as the GSWA Receiver has filed a Rate Request. A discussion ensued as to whether Commissioner Montiola needed to be sworn in as a Commissioner before he could take action as a Commissioner. Counsel then discussed the aspects of the rate request. Commissioners also discussed various aspects of solid waste fees. Upon motion duly made, seconded and unanimously carried, the Commissioners moved to approve PUC Resolution 12-01, Authorization for Procurement of Solid Waste Consultant.

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



Jeffrey C. Johnson
Chairman

THE GUAM PUBLIC UTILITIES COMMISSION

SPECIAL MEETING SUITE 202 GCIC BUILDING 414 W. SOLEDAD AVE. HAGATNA, GUAM 6:00 p.m. July 30, 2012

Agenda

1. Approval of Minutes of June 11, 2012.
2. Ratification
 - GTA Docket 12-03, Joint Petition of TeleGuam Holdings, LLC and Guam Telecom LLC for Approval of the Interconnection Agreement pursuant to Section 252 of the Telecommunications Act of 1996, PUC Counsel Report, and Order dated June 20, 2012.
3. Guam Power Authority
 - GPA Docket 12-04, GPA Petition for Approval to Exercise Extension Option for Engine Cylinder Lubrication Oil Contracts with IP&E Guam LLC, PUC Counsel Report, Proposed Order
 - GPA Docket 12-05, GPA Petition for Approval to Exercise Extension Option for Diesel Fuel Supply Extension Contracts with IP&E Guam LLC., PUC Counsel Report, Proposed Order
 - GPA Docket 12-06, LEAC, Levelized Energy Adjustment Clause Filing, GCG Report, Proposed Order
 - GPA Docket 11-13, GPA Petition for Contract Review of Substation Automation Contract under the Smart Grid Project, PUC Counsel Report, Proposed Order
 - GPA Docket 12-07, GPA Petition for Approval and Use of 1999 Bond Funds for the Cabras 1 & 2 Distributed Control System (DCS) Conversion, PUC Counsel Report, Proposed Order
 - GPA Docket 12-08, GPA Petition for Approval of the Utility Services Contract (USC) with the US Navy, PUC Counsel Report, Proposed Order
4. TeleGuam Holdings LLC
 - GTA Docket 12-02, TeleGuam Holdings LLC Tariff Transmittal No. 19, GCG Report re Lifeline and Link-Up programs dated June 27, 2012, follow-up GCG Report, Proposed Order

- GTA Docket 12-04, Individual Case Basis Filing (Holiday Resort), PUC Counsel Report, Proposed Order
- 5. Pacific Data Systems Inc.
 - PDS Docket 12-01, PDS' Formal Complaint regarding GTA's Rejection of Dark Fiber IOF Order, Stipulation of the Parties, Proposed Order
- 6. Guam Waterworks Authority
 - GWA Docket 11-01, Petition for Expedited Approval of \$23.246M Bond Reprogramming, ALJ Report, Proposed Order
- 7. Port Authority of Guam
 - PAG Docket 12-01, Review of POLA Sales Agreement & Interim Maintenance Agreement, Report by PUC Consultants Slater Nakamura, ALJ Report, Proposed Order
 - PAG Docket 11-01, Petition for Tariff Rate Relief, ALJ Report, Proposed Order
- 8. Guam Solid Waste Authority
 - GSWA Docket 12-02, GBB Request for Establishment of a Host Community Benefit Premium fee pursuant to Public Law 30-165, ALJ Report, Proposed Order
- 9. PUC Website
 - Report by Administrator on progress of Ideal Advertising, website input catch up
- 10. Administrative Matters
 - ALJ Report and Recommendations regarding Decision and Order of the Superior Court in Special Proceedings Case No. SP118-11
 - Consideration of PUC RFP 11-02, Telecommunications Consultant
 - Consideration of Resolution 12-01, Authorization for Procurement of Solid Waste Consultant
- 11. Other Business



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

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

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the "PUC") pursuant to a request by the Jose G. Leon Guerrero Commercial Port, Port Authority of Guam ("PAG"). The instant docket concerns PAG's June 28, 2011 Base Rate Case Petition, which sought to increase rates contained in PAG's terminal tariff.

ORDERING PROVISIONS

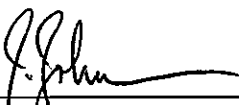
Upon consideration of the record herein, the July 5, 2012 ALJ Report, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS that:

1. By August 22, 2012, PAG shall file a five (5) year rate plan, which shall detail any tariff rate increases for the next five (5) years.
2. By August 22, 2012, PAG shall file a plan for the upgrade of the marina facilities.
3. By November 22, 2012, PAG shall file a financing plan for the completion of Phase I and Phase II of the 2007 Port Master Plan.
4. By August 22, 2012, PAG shall file a management audit, which shall include: (1) a staffing pattern analysis comparison with other ports of similar operations, including identification of required delegation of duties and procedural requirements (e.g., types of positions, number of personnel, job specifications and comparable salaries); (2) an evaluation of port and terminal functions and operations; (3) an analysis of terminal

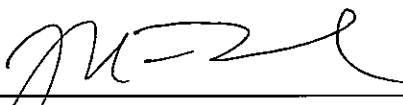
management techniques, warehousing system and purchasing and inventory control to include spare parts inventory control; (4) an analysis of all material handling equipment operations including the training and certification requirements of personnel to operate the equipment and maintain it to the highest degree of reliability and dependability (preventative maintenance program); and, (5) recommendations with respect to improvement. The PUC reserves its right to require that PAG conduct a sensitivity analysis to determine the impact of the deferment of the U.S. military buildup, along with the current throughput of materials on the ability of PAG to generate the revenue it needs to service its debts, and thus file a report on such sensitivity analysis.

5. PAG is further ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with this docket. 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 30th day of July, 2012.



Jeffrey C. Johnson
Chairman




Joseph M. McDonald
Commissioner



Rowena E. Perez
Commissioner

Filomena M. Cantoria
Commissioner



Michael A. Pangelinan
Commissioner

P124046.JRA



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN RE:
PDS' FORMAL COMPLAINT
REGARDING GTA'S REJECTION OF
DARK FIBER IOF ORDER

PDS DOCKET 12-01

ORDER

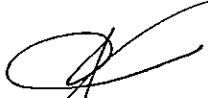
1. This matter comes before the Guam Public Utilities Commission ("PUC") pursuant to the May 23, 2012 Formal Complaint filed by Pacific Data Systems ("PDS") against GTA TeleGuam ("GTA") regarding the rejection of Dark Fiber IOF Order PV M0053DF rev2.
2. After certain proceedings had taken place herein, and Scheduling Orders issued, the parties informed the Administrative Law Judge [ALJ] that they had entered into a "STIPULATION TO DISMISS DOCKET" on July 27, 2012.
3. A true and correct copy of said STIPULATION is attached hereto as Exhibit "1".
4. In accordance with the STIPULATION of the parties, PDS Complaint is hereby dismissed.
5. However, the parties have been unable to agree as to the allocation of Docket costs between the parties in this proceeding.
6. The PUC hereby refers the issue of the proper allocation of Docket costs in this matter to ALJ Horecky.
7. Upon receipt of an appropriate Report/Recommendation by the ALJ, the PUC will issue a final Order on the appropriate allocation of costs herein.
8. Notwithstanding dismissal of the PDS complaint herein, the PUC retains jurisdiction to determine the appropriate allocation of costs.

Dated this 30th day of July, 2012.

Jeffrey C. Johnson
Chairman

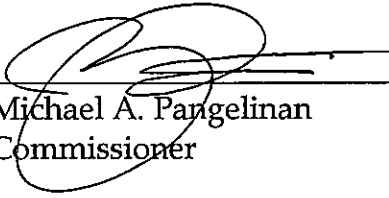
Joseph M. McDonald
Commissioner

Order
PDS' Formal Complaint
Re: GTA's Rejection of
Dark Fiber IOF Order
PDS Docket 12-01
July 30, 2012



Rowena E. Perez
Commissioner

Filomena M. Cantoria
Commissioner



Michael A. Pangelinan
Commissioner

PACIFIC DATA SYSTEMS, INC.
vs.
GTA TELECOM, LLC REGARDING DFIOF
ORDER REJECTIONS

**STIPULATION
TO DISMISS DOCKET**

1. PDS and GTA agree that Virtual Collocation arrangements can be made at the GTA Servicing Wire Center (SWC) located within the Guam International Airport Authority (GIAA) facilities. These Virtual Collocation arrangements can be used to allow PDS to interconnect to the GTA Fiber Optic and Copper Unbundled Network Elements (UNE) located at this GTA SWC.
2. GTA has provided PDS with a quote to install the requested Virtual Collocation facilities, Fiber and 2/4 wire copper arrangements, and Dark Fiber Inter-Office Facilities (DF-IOF) between GTA SWCs at GIAA and Gibsons. GTA has provided an estimated date for the installation of these facilities of August 12, 2012.
3. PDS has approved the GTA quote and timelines provided.
4. The parties are unable to agree upon payment of the Commission's costs in this Docket.

Exhibit "1"

NOW THEREFORE, the parties agree and request the DFIOF order rejection issue be dismissed
and that the sole question of Docket costs proceed before the Commission.


SO STIPULATED:

PDS

By: 
Cork Vanderford - CTO

Date: 7-27-2012

GTA

By: 
Andrew S. Queen, General Counsel

Date: 7/27/12

6. In accordance with the FCC Order, GTA seeks to discontinue the Link-Up Program. The Lifeline Reform Order eliminates all federal reimbursements that telecommunications carriers could seek for Link-Up Services.
7. The PUC caused Public Notice of GTA's filing of its proposed tariff revisions in Transmittal No. 19 to be published and published in the Pacific Daily News on June 22 and July 2, 2012. Said Notice requested comments on GTA's proposed tariff to be filed with the PUC on or before July 24, 2012.⁶ To date, no Public Comments regarding the proposed Tariff have been filed with the PUC.
8. In response to a request by PUC Legal Counsel, the Georgetown Consulting Group submitted its Report on Tariff Transmittal No. 19 re Lifeline and Link-Up Programs on June 27, 2012.⁷ GCG recommended a number of revisions to GTA's proposed tariff. In particular, it pointed out GTA had already been providing a matching \$3.50 in local support for Lifeline Services. Therefore, GCG concluded that the Lifeline Discounts should now be \$12.75 and not \$9.25 as GTA proposed.⁸

ANALYSIS

9. In response to the suggestions contained in the GCG Report, GTA submitted a revised Tariff Transmittal No. 19, a copy of which is attached hereto as Exhibit "1". Therein GTA indicates that the total lifeline credit available to an eligible customer on Guam is \$12.75.⁹
10. Upon review of the changes proposed by GTA in the Tariff Transmittal attached hereto as Exhibit "1", GCG indicated that it was comfortable with accepting the proposed changes.¹⁰

DETERMINATIONS

11. Tariff Transmittal No. 19, as revised and contained in Exhibit "1" attached hereto, should be approved. Said tariff transmittal appears to be in accordance with the FCC Lifeline Reform Order.

⁶ PUC Public Notice, GTA Docket 12-02.

⁷ GCG Report, GTA Docket 12-02, Tariff Transmittal No. 19 re Lifeline and Link-Up Programs, filed June 27, 2012.

⁸ Id. at p. 2.

⁹ General Exchange Tariff No. 1, Section 5 Miscellaneous Service Sec. XIIC 1c, p. 51.

¹⁰ E-mail from Jamshed Madan to Frederick J. Horecky Re: Tariff Transmittal #19, dated July 11, 2012.

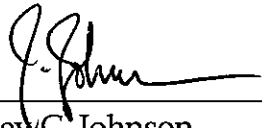
12. Pursuant to the new FCC Reimbursement Rules, GTA should be authorized to adjust the total Lifeline credit so that the total Lifeline credit available to an eligible customer on Guam is \$12.75.
13. In accordance with the FCC Lifeline Reform Order, GTA should further be authorized to discontinue the discounts previously offered in conjunction with the federally funded Link-Up program.

ORDERING PROVISIONS

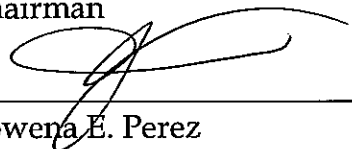
In consideration of the record herein, Tariff Transmittal No. 19, filed by GTA on May 29, 2012, and the GCG Report, for good cause shown and on motion duly made, seconded and unanimously carried by the affirmative vote of the undersigned Commissioners, the Commission hereby orders that:

1. GTA's Tariff Transmittal No. 19, Fractional Primary Rate Interface, was properly filed pursuant to 12 GCA §12106(a), which requires telecommunications companies such as GTA to file tariffs indicating the rates, classifications, and terms and conditions of its telecommunications services.
2. Tariff Transmittal No. 19, including all changes, revisions, and additions therein to GTA's General Exchange Tariff No. 1, as set forth in Exhibit "1" hereto, is hereby approved and adopted.
3. Tariff Transmittal No. 19 was effective June 29, 2012 in accordance with 12 GCA §12106(b) and shall remain in effect.
4. GTA shall file its Revised Tariff with the PUC, and shall also provide notice of the same to its Customers on its website.
5. 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.

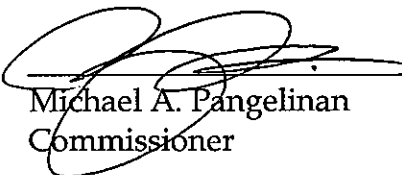
Dated this 30th day of July, 2012.



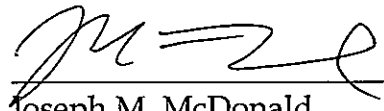
Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner



Michael A. Pangelinan
Commissioner



Joseph M. McDonald
Commissioner

Filomena M. Cantoria
Commissioner

MISCELLANEOUS SERVICE (cont'd)

XII. TELEPHONE ASSISTANCE PROGRAMS (cont'd)

C. Lifeline Service

1. Description of Service

- a. The Lifeline program is designed to increase the availability of telecommunications services to low-income subscribers by providing a credit to monthly recurring ~~local~~ voice service to qualifying low-income residential subscribers.
- b. Lifeline is supported by the federal universal service fund support mechanism.
- c. The total Lifeline credit available to an eligible customer on Guam is ~~\$9.25~~ \$12.75. The amount of credit will not exceed the charge for local service.

Comment [JSI2]: The discount should reflect the \$9.25 federal credit and \$3.50 in carrier or state matching support.

2. Regulations

a. General

- 1.) Lifeline applicants must provide proof that qualification of low income assistance programs identified in sub-paragraph C.2.b.1 or must provide documentation that the applicant's household income meets the income test described in C.2.b.2. ~~documentation for qualification to meet income tests based on Federal Poverty Guidelines as described in C.2.b.2.~~
- 2.) One Lifeline income credit is available per household and ~~if one or more of the household members must be a current participant in~~ recipient of any of the low-income assistance programs identified in sub-paragraph C.2.b.1 following or meets the income test based on Federal Poverty Guidelines as described in Subsection C.2.b.2 following. ~~The subscriber need not necessarily be a recipient of low income assistance programs or meet the income test.~~
- 3.) A Lifeline customer may subscribe to any voice ~~local~~ service offering available to other residence-residential customers. Since the Lifeline credit is applicable to the

C

C

Comment [JSI3]: TeleGuam can offer Lifeline on any voice package. It is up to the carrier. See comment 1

~~primary-residential connection only, it may not be applied
to a multiple line package local service offering.~~

MISCELLANEOUS SERVICE (cont'd)

XII. TELEPHONE ASSISTANCE PROGRAMS (cont'd)

C. Lifeline Service

3. Rates and Charges

- a. Lifeline ~~is provided~~provides a monthly credit on the eligible residential subscriber's bill for voice ~~local~~ service.
- b. Service Charges in Section 3.II.A preceding are applicable for installing or changing Lifeline service.
- c. D
- d. The secondary service Charge in Section 3.II.A preceding is preceding is not applicable when existing service is converted intact to Lifeline service. C

By: Eric Votaw
Title: Vice President - Regulatory
Issued: May 29, 2012

Effective June 28, 2012

TeleGuam Holdings, LLC d/b/a GTA
General Exchange Tariff No. 1

Section 5
First Revision of Page No. 55.3
Canceling Original Sheet No. 55.3

MISCELLANEOUS SERVICE (cont'd)

XII. TELEPHONE ASSISTANCE PROGRAMS (cont'd)

D. Link-Up Service

D

D

TeleGuam Holdings, LLC d/b/a GTA
General Exchange Tariff No. 1

Section 5
First Revision of Page No. 55.4
Canceling Original Sheet No. 55.4

MISCELLANEOUS SERVICE (cont'd)

XII. TELEPHONE ASSISTANCE PROGRAMS (cont'd)

D. Link-Up Service

D

D

TeleGuam Holdings, LLC d/b/a GTA
General Exchange Tariff No. 1

Section 5
First Revision of Page No. 55.5
Canceling Original Sheet No. 55.5

MISCELLANEOUS SERVICE (cont'd)

XII. TELEPHONE ASSISTANCE PROGRAMS (cont'd)

D. Link-Up Service

D

D

TeleGuam Holdings, LLC d/b/a GTA
General Exchange Tariff No. 1

Section 5
First Revision of Page No. 55.6
Canceling Original Sheet No. 55.6

MISCELLANEOUS SERVICE (cont'd)

XII. TELEPHONE ASSISTANCE PROGRAMS (cont'd)

D. Link-Up Service

D

D

A circular stamp with a clock face border. The text inside the circle reads: "RECEIVED", "JUL 30 2012", "U.S. DEPARTMENT OF JUSTICE", and "OFFICE OF THE ATTORNEY GENERAL". The stamp is slightly tilted.

GTA DOCKET 12-04

ORDER

1. This matter comes before the Guam Public Utilities Commission [PUC] upon the filing of TeleGuam Holdings LLC ["GTA"] to establish an Individual Case Basis arrangement with Holiday Resort Guam ["HRG"] pursuant to GTA's ICB Tariff.¹
2. GTA's 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 which must be satisfied before an ICB can be approved: 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
3. In addition, GTA must submit an "LRIC-like" analysis which establishes that the contract prices offered to HRG exceed GTA's incremental cost.³

4. GTA has proposed to enter into an agreement with HRG pursuant to which it will provide HRG certain telecommunications services and facilities.⁴ Thereunder, among other services, GTA intends to provide HRG with seven Analog business lines. In addition, GTA is providing 1 ISDN-PRI (Primary Rate Interface) to HRG. The ISDN product offered to HRG has 24 channels, 23 of which are "voice" and one of which is "data." GTA submits that because the ISDN-PRI has 23 channels,

⁴ GTA Filing, GTA Docket 12-04, Master Services Agreement, filed June 28, 2012.

which can equate to lines, this satisfies the 10 or more business lines requirement for the ICB pricing.⁵

5. GTA will also provide DID number assignments for Block DID (100) to HRG.⁶
6. Along with its filing, GTA has provided a confidential cost study which indicates its incremental cost for ISDN-PRI. GTA has also provided a confidential cost study which indicates its incremental cost for DID Number Assignment.⁷
7. The background is further set forth in the PUC Counsel Report dated July 26, 2012, which is adopted herein.

DETERMINATIONS

8. In this case, GTA seeks to offer ICB pricing to a business customer with more than 10 lines. GTA offers seven business lines to HRG. In addition GTA offers an ISDN-PRI service to HRG with 23 voice channels. The channels can equate to lines.
9. The PUC has previously accepted the interpretation that the 23 voice channels in ISDN-PRI equate to lines.⁸ GTA's offering of business lines to HRG and the ISDN product satisfies the 10 or more business line requirement for ICB pricing.
10. The cost per channel (line) offered by GTA to HRG does not exceed the tariff prices provided in GTA's General Exchange Tariff No. 1.⁹ Furthermore, the cost per month for Block DID offered by GTA to HRG does not exceed the tariff prices provided in GTA's General Exchange Tariff No. 1.¹⁰

⁵ See GTA Filing, GTA Docket 12-04, filed June 28, 2012 [Exhibit A -Certification of Adherence with Docket 05-02] ["Specifically, the attached agreement in Exhibit C is being offered to a business or government customer with more than 10 lines..."].

⁶ See GTA Filing, GTA Docket 12-04, filed June 28, 2012 [Exhibit C - Supplemental Information].

⁷ Id., at Exhibit B.

⁸ See GTA Confidential Filing in GTA Docket 11-07, filed August 15, 2011, and GCG Report Re: GTA Individual Case Basis Tariff for Services Provided to Bank of Hawaii, GTA Docket 11-07, filed July 31, 2011; PUC Order, GTA Docket 11-08, dated September 16, 2011 at Determination 7, p. 2 ["GTA offers an ISDN-PRI service to Tristar with 24 channels (lines). The channels can equate to lines"].

⁹ See GTA General Exchange Tariff No. 1; and GTA Filing for Individual Case Basis, GTA Docket 12-04, Exhibit B [ISDN/PRI Revenue Requirement Summary and DID Number Assignment to HRG] and Exhibit C, Supplemental Information.

¹⁰ Id.

11. The LRIC study filed by GTA [ISDN/PRI Revenue Requirement Summary], and the Proposed Agreement [Exhibit "C"], indicate that the cost for ISDN-PRI (Channelized T1 Costs) is above the average cost of ISDN-PRI developed in the LRIC study. The offered contract price for ISDN-PRI exceeds the incremental cost as determined using the LRIC-like standard.¹¹
12. The LRIC study filed by GTA [DID Number Assignment and Translation], and the Proposed Agreement [Exhibit "C"], also indicate that the cost for Block DID (100) is above the average cost developed in the LRIC study. The offered contract price for DID Number Assignment exceeds the incremental cost as determined using the LRIC-like standard.¹²
13. In this Docket, GTA has used the same methodology that GCG proposed in 2008 and the PUC approved.
14. The ICB charges for ISDN/PRI and DID Number assignment are below the normal tariff rates of \$600.00 per month and \$150 per Block DID, respectively.

ORDERING PROVISIONS

Upon consideration of the record herein, GTA's ICB filing for Holiday Resort Guam, and the PUC Legal Counsel 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:

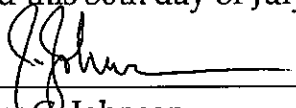
1. GTA's Individual Case Basis Filing dated June 28, 2012, properly satisfies the three ICB Tariff conditions set forth in the PUC Order dated February 15, 2008 and is hereby approved.
2. The findings and recommendations in the PUC Counsel Report dated July 12, 2012 are hereby adopted and approved.
3. GTA's ICB filing properly establishes, through its LRIC-like study, that the prices for ISDN-PRI and DID Number Assignment offered to HRG exceed incremental cost as determined using the LRIC studies.

¹¹ Id.

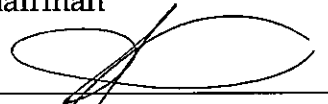
¹² Id.

4. The ICB prices contained in the contract with HRG as ICB prices for ISDN/PRI, and DID Number Assignment shall be available to any similarly situated customer.
5. 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.

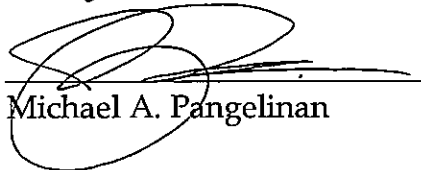
Dated this 30th day of July, 2012.



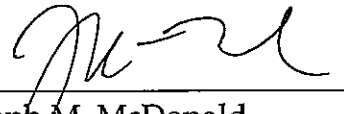
Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner



Michael A. Pangelinan



Joseph M. McDonald
Commissioner

Filomena M. Cantoria
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

ESTABLISHMENT OF HOST
COMMUNITY PREMIUM FEES
PURSUANT TO PUBLIC LAW 30-165

GSWA DOCKET 12-02

ORDER



INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Solid Waste Authority, through its Court Receiver GBB, to establish the "Host Community Premium Fees" in accordance with Public Law 30-165.¹
2. David Manning, GBB's Representative, has recommended a methodology to the PUC for use in the assessment of the community benefit premium to Commercial and Residential Customers and specific amounts for such assessment.²

BACKGROUND

3. In Public Law 30-165, enacted into law on July 16, 2010, the Guam Legislature determined that a "Host Community Premium" must be awarded for the villages of Inarajan and Ordot in the annual amount of One Hundred Fifty Thousand Dollars (\$150,000.00) each. The Host Community Benefit is to compensate communities where solid waste management facilities, such as sanitary landfills, are located.³
4. The Legislature intended that the Host Community Premiums be funded and assessed in addition to solid waste tipping fees to cover the cost of the Host Community Benefits.⁴
5. The Legislature further mandated that "the Public Utilities Commission (PUC) *shall* equitably determine the *Host Community Premium* for each residential and commercial account."⁵
6. In the Testimony filed by the Receiver for the Guam Solid Waste Authority on June 18, 2012, the recommendation was made that the PUC should assess the Host Community Benefit Premium in an amount required by law. The Receiver recommended that a fee of \$3.57 per ton be assessed upon Commercial Customers,

¹ GSWA Rate Request, GSWA Docket 12-02, filed June 22, 2012.

² Id., Testimony of David Manning at p. 5 of 15.

³ Public Law 30-165, enacted into law on July 16, 2010.

⁴ Id. at p. 2.

⁵ Id. at p. 3.

and the amount of \$0.38 per month upon Residential Customers to fund the Host Community Premium Benefit for the two villages.⁶

7. The PUC caused a Notice of Public Hearing to be issued and published in the Pacific Daily News, a newspaper of general circulation, on July 12 and July 19, 2012.⁷
8. On July 23, 2012, at 6:00 p.m., the Administrative Law Judge conducted a public hearing on the establishment of Host Community Premium Fees.
9. On July 27, 2012, the ALJ issued his Report herein.⁸

DETERMINATIONS

10. Public Law 30-165 requires PUC to determine a Host Community Premium Fee to benefit the villages of Inarajan and Chalan Pago in the total amount of \$300,000.00 per year. The PUC does not have discretion in this matter and must implement Host Community Premium fees to fund such amounts.
11. In addition, the law expressly requires that the PUC “equitably determine” the Host Community Premium for each residential and commercial account.
12. At the Public Hearing, Mr. David Manning, Representative of the Receiver for GSWA, presented testimony on the manner by which he calculated the proposed Host Community Premium Fees. Upon review the Receiver’s calculations, as set forth in the ALJ Report, it appears that the Receiver’s calculations are logical and reasonable, and fairly apportion solid waste fees to implement the Host Community Premium between the Commercial and Residential Customers.
13. The Receiver recommends that a fee of \$3.57 per ton be assessed upon Commercial Customers, and the amount of \$0.38 per month upon each Residential Customer to fund the Host Community Premium Benefit for the two villages.
14. The PUC should adopt the fees proposed by the Receiver for GSWA: \$3.57 per ton for Commercial Customers and \$0.38 per month for Residential Customers. Such

⁶ GSWA Rate Request, GSWA Docket 12-02, filed June 22, 2012, testimony of David L. Manning, p. 5 of 15.

⁷ Notice of Public Hearing, GSWA Docket 12-02.

⁸ ALJ Report, GSWA Docket 12-02, dated July 27, 2012.

allocation is fair and equitable and properly assigns responsibility to each class of customer based upon total tonnage generated.

15. Although rates for Commercial customers are based upon tonnage, and the fee for Residential customers is per month, each class bears responsibility for the Host Community Premium Fee based upon the tonnage generated by each class. Mr. Manning testified that such allocation was fair and equitable to the Commercial and Residential Customers.
16. GSWA, at the request of the Receiver, should have 60 days from the date of issuance of an Order herein by the PUC to implement the program for assessment of Host Community Premium fees.
17. The PUC should adopt a protocol to be followed by GSWA in the assessment of the Host Community Premium Fees which contains the following elements:
 - a. The fees established herein should appear on Commercial and Residential Customer Bills as the "Host Community Premium Surcharge".
 - b. GWSA should deposit all Host Community Premium Surcharge fees collected from Commercial and Residential Customers in an account separate and apart from all other accounts maintained by GSWA. Said fees should not be used for any purpose by GWSA; all such fees must be transferred to the Department of Administration (DOA).
 - c. On a quarterly basis, GSWA shall transfer all Host Community Premium Surcharge fees collected to the Department of Administration.
 - d. GSWA shall provide a quarterly report to the PUC concerning the Host Community Premium Surcharge, which shall include the total amount of funds transferred to DOA and a breakdown of the amounts collected from Commercial and Residential Customers, and the date(s) when such amounts were transferred.
 - e. In accordance with Public Law 30-165, DOA shall place all funds received from GSWA for the Host Community Premium fees in the "Host Community Fund"; the Host Community Fund shall be a fund of the Government of Guam that is separate and apart from all other funds of the Government of Guam and shall be used for the exclusive benefit of the Host Community.

18. The Public Utilities Commission should review the Host Community Premium at least once every five years, and may adjust said premium to account for factors such as inflation.
19. The PUC adopts the recommendations of the ALJ Report issued herein on July 27, 2012.
20. The ALJ should be authorized to undertake further proceedings, discussions, or coordination with GSWA to refine and implement the protocol in this matter.

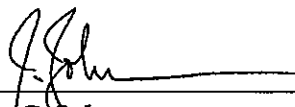
ORDERING PROVISIONS

After careful consideration of the record herein, the Petition of GSWA for Establishment of the Host Community Premium, the ALJ Report dated July 27, 2012, and the testimony presented at the Public Hearing, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Public Utilities Commission hereby **ORDERS** that:

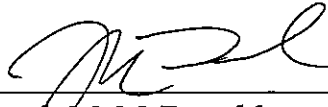
1. On all Bills/Invoices issued to Commercial and Residential Customers for trash/solid waste collection, issued after October 1, 2012, GSWA shall include on each such bill/invoice a charge or fee known as the "Host Community Premium Surcharge."
2. Such Surcharge shall be identified on each bill/invoice as a separate line item. The amount owed by each customer for such surcharge shall be clearly and separately identified on the bill/invoice.
3. On each Bill/Invoice issued after October 1, 2012, a Host Premium Surcharge in the amount of \$3.57 per ton shall be assessed upon Commercial Customers (including Governmental Customers) to fund the Host Community Premium Benefit for the Villages of Inarajan and Chalan Pago.
4. On each Bill/Invoice issued after October 1, 2012, a Host Premium Surcharge in the amount of \$0.38 per month shall be assessed upon each Residential Customer to fund the Host Community Premium Benefit for the Villages of Inarajan and Chalan Pago.
5. The Host Community Premium Surcharge provided for herein shall be utilized to provide a Host Community Benefit in the annual amount of \$150,000.00 to the Villages of Inarajan and Chalan Pago.

6. A Protocol is hereby adopted for the assessment, collection, and transfer of the Host Community Premium Surcharge. The Protocol set forth in Determination 17a through e above is approved and adopted. GSWA and DOA shall comply with their duties and responsibilities thereunder, as well as under Public Law 30-165.
7. GSWA shall publish the Protocol regarding the Host Community Premium Surcharge in its website on the world wide web and in the website of the Court appointed Receiver GBB.
8. The ALJ is authorized to undertake further proceedings, discussions, or coordination with GSWA to refine and implement the Protocol in this matter.

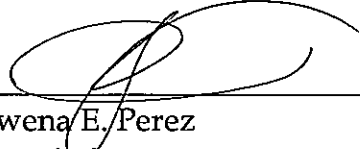
Dated this 30th day of July, 2012.



Jeffrey C. Johnson
Chairman

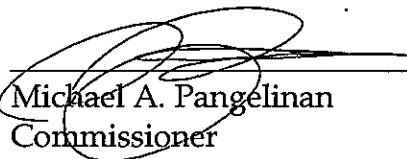


Joseph M. McDonald
Commissioner



Rowena E. Perez
Commissioner

Filomena M. Cantoria
Commissioner



Michael A. Pangelinan
Commissioner

On July 19, 2012, the Administrative Law Judge of the PUC, David A. Mair (the “ALJ”), issued an ALJ Report regarding GWA’s request to reprogram the 2010 Bond proceeds. Upon review, and based on the documentation provided by GWA, the ALJ subsequently found that the Series Bond projects, along with the corresponding budgets for such projects, were reasonable and necessary for the expansion and improvement of Guam’s water and wastewater systems.

While the ALJ recommended PUC’s approval of GWA’s Petition, the ALJ requested that such approval should be conditioned on GWA reserving, restricting, and leaving unencumbered, the amount of \$20 million, which is the amount due to GovGuam pursuant to the Superior Court of Guam’s June 7, 2012 Decision and Order issued in Guam Waterworks Authority v. Guam Public Utilities Commission, SP0118-11. Accordingly, the ALJ recommended that the PUC approve the reprogramming of the 2010 Series Bond provided that GWA reserves, restricts, and leaves unencumbered the amount of \$20 million. The ALJ further recommended that in the event GWA’s reservation of \$20 million in bond proceeds results in GWA having insufficient funds for necessary capital improvement projects, GWA should petition the PUC for rate relief accordingly.

Furthermore, the ALJ noted that GWA’s bond reallocation request indicated that a number of projects, originally scheduled to be funded by the 2010 Bond, would now be “funded by the 2013 Bond funds.” As a result, the ALJ requested that GWA keep the PUC fully advised of its plans to issue bonds in 2013. In particular, the ALJ recommended that GWA provide the PUC with a report on or before September 1, 2012 explaining what

steps or actions it has already taken to pursue issuance of the 2013 bonds, and, to the extent known, what projects and what amounts it intends to seek under the 2013 bond issuance.

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

ORDERING PROVISIONS

Upon consideration of the record herein, the July 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. GWA's expedited petition for approval to reallocate \$23,246,000 of 2010 Bond funds is hereby granted conditioned on GWA reserving, restricting, and leaving unencumbered from such bond funds, the amount of \$20 million, which is the amount due to GovGuam pursuant to the Superior Court of Guam's June 7, 2012 Decision and Order issued in Guam Waterworks Authority v. Guam Public Utilities Commission, SP0118-11.

2. GWA shall provide the PUC with a report on or before September 1, 2012 explaining what steps or actions it has already taken to pursue issuance of the 2013 bonds, and, to the extent known, what projects and what amounts it intends to seek under the 2013 bond issuance.

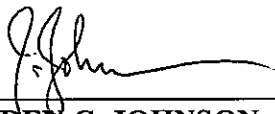
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3. GWA is further ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with this docket. Assessment of the PUC's regulatory fees and expenses is authorized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

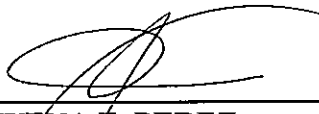
SO ORDERED this 30th day of July, 2012.



JEFFREY C. JOHNSON
Chairman

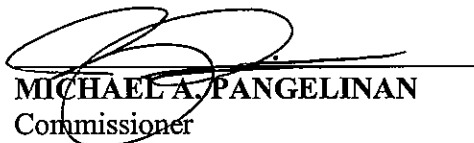


JOSEPH M. MCDONALD
Commissioner



ROWENA E. PEREZ
Commissioner

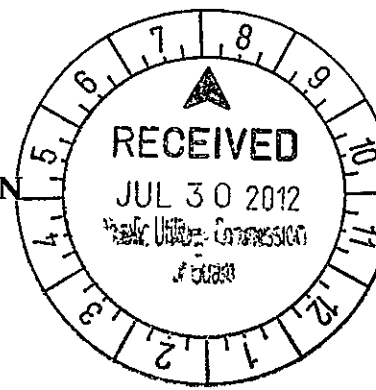
FILOMENA CANTORIA
Commissioner



MICHAEL A. PANGELINAN
Commissioner

P124049.JRA

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

GPA DOCKET 12-04

THE APPLICATION OF THE GUAM
POWER AUTHORITY TO EXERCISE
EXTENSION OPTION UNDER THE
DIESEL ENGINE CYLINDER
LUBRICATION OIL CONTRACT
WITH ISLA PETROLEUM AND
ENERGY, LLC (IP&E GUAM)

ORDER

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Guam Power Authority's ["GPA"] Petition to approve Exercise of Extension Option under the Diesel Engine Cylinder Lubrication Oil Contract with Isla Petroleum and Energy, LLC (IP&E Guam).¹

BACKGROUND

2. Under IFB GPA-019-09, GPA awarded a three-year contract for the supply of Diesel Engine Cylinder Lubricating Oil to IP&E Guam. The contract commenced on February 1, 2010, and will expire on January 31, 2013.²
3. Under the contract, GPA has the option to extend the contract with IP&E for two years, renewable annually. IP&E desires to extend the contract for two years, without any changes to the contract provisions.³
4. The estimated cost of the contract extension, for the supply of Diesel Engine Cylinder Lubricating Oil, is approximately \$2M per year.⁴
5. The proposed contract extension would extend the current contract with IP&E from February 1, 2013 to January 31, 2015.⁵

¹ GPA Petition for Contract Review, GPA Docket 12-04, filed June 29, 2012.

² Guam Consolidated Commission on Utilities, Resolution No. 2012-22, adopted April 10, 2012, at p. 1 of 7.

³ Id.

⁴ Id.

⁵ GPA Petition for Contract Review, GPA Docket 12-04, filed June 29, 2012.

DETERMINATIONS

6. The Contract supplies the required Diesel Engine Cylinder Lubrication Oil for GPA Generation Plants (Cabras Unit Nos. 3 & 4) in order to provide stable and uninterrupted supply of electricity to meet the island wide utility power demand.⁶
7. GPA has considered the alternative of soliciting new bids for this contract; however, soliciting new bids would likely yield increased premium fees due to rising cost in the delivery of the services and resulting in increased bid offers and contract cost.⁷
8. Additionally, IP&E has apparently satisfactorily complied with its contractual obligations over the three (3) year base period of the contract.⁸

ORDERING PROVISIONS

After review of the record herein, GPA's Petition for Approval to Exercise Extension Option under the Diesel Engine Cylinder Lubrication Oil Contract with IP&E Guam, and the PUC Counsel Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's Petition for Approval to exercise Extension Option under the Diesel Engine Cylinder Lubrication Oil Contract with Isla Petroleum and Energy LLC (IP&E Guam) is hereby approved.
2. GPA is authorized to enter into an extension of said contract for the period of February 1, 2013 until January 31, 2015.
3. The recommendations and reasoning contained in the Counsel Report are adopted.
4. 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.

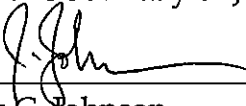
⁶ Exhibit "A" to CCU Resolution No. 2012-22, adopted April 10, 2012, at p. 3 of 7.

⁷ Id.

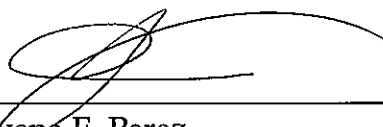
⁸ Id.

Order
Contract Extension of
Diesel Engine Cylinder Lubrication Oil
Contract with IP&E Guam
GPA Docket 12-04
July 30, 2012

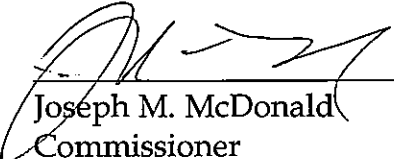
Dated this 30th day of July, 2012.




Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner



Joseph M. McDonald
Commissioner



Michael A. Pangelinan
Commissioner

Filomena M. Cantoria
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

GPA DOCKET 12-05

THE APPLICATION OF THE GUAM
POWER AUTHORITY TO EXERCISE
EXTENSION OPTION UNDER THE
DIESEL FUEL SUPPLY CONTRACT
WITH ISLA PETROLEUM AND
ENERGY, LLC (IP&E GUAM)

ORDER

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Guam Power Authority's ["GPA"] Petition for authorization to exercise Extension Option under the Diesel Fuel Supply Contract with Isla Petroleum and Energy, LLC (IP&E Guam).¹

BACKGROUND

2. GPA currently has diesel fuel supply contracts with IP&E Guam. Under these two contracts, IP&E supplies diesel fuel oil to the Southern plants (Base loads, TEMES CT, Tenjo Vista, Mannengon & Talofofo Diesel fast tracks) and Northern Plants (Dededo Diesel fast track, Dededo CT, Macheche CT, Marbo CT, and Yigo CT).²
3. The current contracts each contain a three year base period which commenced on December 1, 2009, and will be completed on November 30, 2012.³
4. Both diesel fuel contracts with IP&E provide an option to GPA to extend for two (2) additional one (1) year terms. GPA requests approval to exercise the extension of the contracts from December 1, 2012 to November 30, 2014.⁴
5. GPA will expend approximately \$10M per year for diesel fuel under the supply contracts.⁵

¹ GPA Petition for Contract Review, GPA Docket 12-05, filed June 29, 2012.

² Id. at p. 1-2; Guam Consolidated Commission on Utilities Resolution No. 2012-10, adopted February 14, 2012, at p. 1.

³ CCU Resolution No. 2012-10, Schedule 1.

⁴ GPA Petition for Contract Review, Id. at p. 1.

⁵ CCU Resolution No. 2012-10, Schedule 1 at p. 5 of 8.

DETERMINATIONS

6. Diesel Fuel Oil is utilized at various GPA Diesel-fired power plants to provide the necessary generation capacity, during planned/unplanned shutdowns of GPA's Baseload Units, in order to provide a stable and uninterrupted supply of electricity to meet the island wide utility power demand.⁶
7. Authorization for the extension of these diesel supply contracts will provide GPA with a continuous supply of fuel to the power plants necessary to implement the Authority's electric power generation capacity.⁷
9. Issuance of a new solicitation by GPA could yield increased premium fees due to rising costs in the delivery of the services, resulting in increased bid offers and contract costs.⁸
10. GPA is satisfied with the contractual performance of IP&E during the first two years of the contracts; the annual contract cost for the Tenjo Vista plant was reduced in the amount of \$324,800 per year.
11. Part of the savings to GPA resulted from a reduction in the premium fee for the delivery of diesel fuel to Tenjo Vista Plant by \$0.109 per gallon (due to the conversion to Ultra Low Sulfur Diesel).⁹
12. Public Law 30-184, enacted August 28, 2010, requires that all diesel fuel imported to Guam for the purpose of sale and distribution in Guam shall meet US EPA Standards for *Ultra-low Sulfur Diesel Fuel*.¹⁰

ORDERING PROVISIONS

After review of the record herein, GPA's Petition for exercise of Contract Extensions of Its Diesel Fuel Supply Contracts with IP&E Guam, and the PUC Counsel Report, for good cause shown, on motion duly made, seconded, and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

⁶ Id. at p. 4 of 8.

⁷ Id.

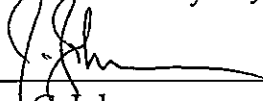
⁸ Id. at p. 5 of 8.

⁹ Id. at p. 1 of 8.

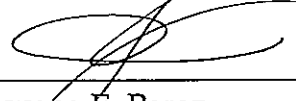
¹⁰ Public Law 30-184, enacted August 28, 2010.

1. GPA's Petition for Approval of its extension of Diesel Fuel Supply Contracts with Isla Petroleum and Energy, LLC (IP&E Guam) for the period of December 1, 2012 to November 30, 2014, is hereby approved.
2. The recommendations and reasoning contained in the Counsel Report filed herein are adopted.
3. 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 30th day of July, 2012.



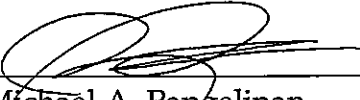
Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner



Joseph M. McDonald
Commissioner



Michael A. Pangelinan
Commissioner

Filomena M. Cantoria
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



GUAM POWER AUTHORITY
LEVELIZED ENERGY ADJUSTMENT
CLAUSE [LEAC]

GPA DOCKET 12-06

ORDER

In accordance with the protocol established by Guam Public Utilities Commission [PUC] Order dated January 29, 1996, as amended by Order dated March 14, 2002, Guam Power Authority [GPA], transmitted its LEAC Filing, dated June 15, 2012, to the PUC.¹ GPA requested that the Levelized Energy Adjustment Clause Factor ["LEAC"], for the six-month period commencing August 1, 2012, be decreased from \$.192310/kWh to \$.190263/kWh.² Alternatively, if only \$2.4M (representing 1/2 of the projected under recovery was collected during the six month period, with the balance being collected over the following six month period) then the LEAC factor could be decreased to \$.186362/kWh.

Furthermore, based upon a slight decrease in projected fuel costs from the prior LEAC period, GPA indicates that the Working Capital Fund Surcharge can be decreased for both civilian customers and the Navy. The decrease in the civilian WCF Surcharge proposed by GPA would be from \$0.0078 to \$0.00761 per kWh, effective August 1, 2012.³

Consultant Georgetown Consulting Group, Inc. ["GCG"] filed its Report re: GPA Request for a LEAC Factor Effective August 1, 2012.⁴ In its Report, GCG notes that GPA is currently meeting the baseload performance standard for fuel efficiency; however, the average equivalent availability rate for the Cabras 2 unit is substantially below the standard. GCG recommends that, in the next LEAC filing, GPA should address those proactive actions it has taken to reduce the forced outages incurred by Cabras 2 and to meet its availability standard.⁵

In accordance with its historical position, GCG asserts that the most recent forecast of fuel prices provides a better estimate of the total cost of fuel for GPA

¹ GPA LEAC Filing, GPA Docket 12-06, filed June 15, 2012.

² Id.

³ Id.

⁴ GCG Report, GPA Docket 12-06, Request for a LEAC Factor Effective August 1, 2012, filed June 15, 2012.

⁵ Id. at p. 3.

for the upcoming LEAC period.⁶ Based upon the updated Morgan Stanley fuel price forecasts for both No. 6 and No. 2 oil on July 5, 2012, fuel price projections for the next six-month period are now lower than the fuel prices originally projected by GPA in its Petition.⁷

GCG further indicates that, while PUC has authorized GPA to implement a revised fuel hedging program, at this point GPA continues to rely upon the “no cost collar” approach to hedging and is only at the early stages of implementing its new hedging program.⁸ GPA had agreed to comply with fourteen recommendations adopted in the PUC’s final order in Docket 10-03; however, a substantial amount of work remains to be done to implement the milestones associated with the fourteen recommendations adopted by the PUC. Of particular importance is the need for GPA to create new positions for the hedging function and to retain the requisite personnel needed to execute GPA’s hedging needs.⁹

GCG believes that the agreed upon schedule for implementation of the fuel hedging program in GPA Docket 10-03 is no longer viable. GPA needs to update the original schedule with dates that it believes to be reasonable for the completion of the fourteen recommendations.¹⁰ GPA needs to review the full range of hedging options available to it. An objective of GPA’s hedging program is to allow consumers to know with reasonable certainty the maximum price they will pay for fuel consumption during the LEAC period.¹¹

For future LEAC filings, GCG recommends that GPA use actual unaccounted for energy values so that consumers are properly charged on a current basis the impact of unaccounted for energy.¹²

As indicated, GPA proposed LEAC factors under two scenarios. One scenario flows through the entire forecasted under-recovery of fuel expenses through the LEAC and recovers about \$4.8M over a period of six months. As an alternative, GPA calculated the LEAC factor assuming recovery of the \$4.8M over a period of one year. GCG concludes that, under the established LEAC mechanism, fuel

⁶ Id. at p. 4.

⁷ Id. at pgs. 4-5.

⁸ Id. at pgs. 7-8.

⁹ Id. at p. 9.

¹⁰ Id. at p. 10.

¹¹ Id.

¹² Id. at p. 12.

expenses are supposed to be recovered within the six month LEAC period. In addition, GCG believes that for GPA to request a delay in the recovery of the fuel expense is inconsistent with the position GPA maintained in the rate case with regard to its cash requirements. GCG recommends that the entire deferred fuel balance be recovered by GPA over the six-month period ending January 2013.¹³

With regard to GPA's proposed slight reduction in the current working capital surcharge, GCG recommends that the current WCF surcharge remain in effect pending resolution of issues in Phase 2 of the GPA rate case, GPA Docket 11-09.¹⁴ GCG further points out that in addition to the fuel component of the WCF, there are also non-fuel and IPP costs involved in its calculation. The WCF surcharge established in Phase 1 of GPA Docket 11-09 should remain in place until issues regarding reconciliation of the WCF revenues and requirements are resolved.¹⁵

The PUC concurs with the foregoing positions of GCG as set forth in its Report. The latest, updated fuel information should be used to determine the appropriate LEAC factor for the upcoming LEAC period. The LEAC factors for the upcoming LEAC period should be revised in accordance with the recommendations of GCG.

PUC also shares GCG's concerns about GPA's implementation of the new Fuel Hedging Program. GPA should take steps, in accordance with the GCG recommendations, to put the new fuel hedging program into effect. PUC also believes that GPA should be allowed to fully recover fuel expense in the current LEAC period, in accord with GPA's position concerning its cash need requirements articulated in GPA Docket 11-09. Finally, the WCF surcharge established in Phase 1 of GPA Docket 11-09 should remain in place until issues regarding reconciliation of the WCF revenues and requirements are resolved in Phase 2 of that proceeding.

¹³ Id.

¹⁴ Id. at p. 14.

¹⁵ Id. at p. 14.

After carefully reviewing the record in this proceeding and the July 23, 2012, Report of GCG, and after discussion at a duly noticed public meeting held on July 30, 2012, for good cause shown and on motion duly made, seconded and carried by affirmative vote of the undersigned Commissioners, the Guam Public Utilities Commission hereby ORDERS THAT:

1. The current singular LEAC factors are hereby adjusted effective August 1, 2012 as shown in the following table:

<u>Customer</u>	<u>LEAC per kWh</u>
Secondary -	\$ 0.186834
Primary - 13.8 KV	\$ 0.180900
34.5 KV	\$ 0.179035
115 KV	\$ 0.177170

The LEAC factor shall be determined in accordance with Table 1, GCG Full Recovery, as set forth in the GCG Report filed herein on July 23, 2012. This change reflects a 1.95% decrease in the total bill for a residential customer utilizing an average of 1,000 kilowatt hours per month (\$5.48 per month).

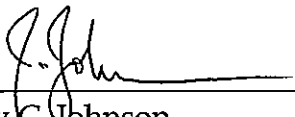
2. GPA should file for a change in the LEAC factors to be effective February 1, 2013 on or before December 15, 2012.
3. The current WCF surcharges of \$0.00778 per kWh for civilian customers and monthly fixed charge of \$179,852 for Navy shall remain in effect until the issues regarding reconciling the WCF revenues and requirement are resolved in Phase 2 of Docket 11-09 or as otherwise determined by the PUC in the next LEAC or other proceeding.
4. GPA should file concurrently with its next LEAC filing a report detailing the status of each of the 14 fuel hedging recommendations adopted in Docket 10-03 and the GPA modified milestone schedule contained in Appendix A.

GPA should also file with its next LEAC filing a report on each of the hedging instruments used to hedge, the hedge amounts, the cost of any hedge, their expiration, and a summary of the impact of the hedge volatility.
5. In the PUC Order dated February 6, 2012, in this LEAC Filing, GPA was required to use actual loss multipliers to determine the appropriate LEAC Factors for each transmission level customer, or explain why it was not able


to do so. GPA has not complied with the February 6, 2012 Order. In its next LEAC Filing on or before December 15, 2012, GPA should properly charge customers in the different delivery voltage classes with the loss multipliers from the recently completed rate proceeding.

6. GPA should in their next LEAC rate filing address those actions it is taking to reduce the forced outages incurred by Cabras 2 and to meet its availability standard.
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 30th day of July, 2012.




Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner



Joseph M. McDonald
Commissioner



Michael A. Pangelinan
Commissioner

Filomena M. Cantoria
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

) GPA DOCKET 11-13

GUAM POWER AUTHORITY'S
PETITION FOR REVIEW AND
APPROVAL OF SUBSTATION
AUTOMATION CONTRACT (SMART
GRID PROJECT)

) ORDER

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon Guam Power Authority's ["GPA"] Petition for contract review and approval of GPA's Substation Automation Contract with Black Construction Corporation ["Black"].¹
2. According to the Petition, the implementation of this Contract for Substation Automation is critical to the success of GPA's Smart Grid Project, and is reasonable, prudent and necessary.²
3. The cost of the Contract with Black Construction Corporation is the amount of \$3,195,421.00.³

BACKGROUND

4. The Smart Grid Project has been before the Commission on numerous occasions. Previously, PUC authorized GPA to issue revenue bonds, which included approximately \$17M for the Smart Grid project. PUC further approved the expenditure of funds for Smart Grid under the Contract Review Protocol and the implementation of the Smart Grid Project.⁴
5. On December 19, 2011, the PUC approved GPA's intent to proceed with six major contracts for different aspects of the Smart Grid Project, including Substation Automation, and authorized GPA to obligate funds up to the full amount of \$17M.⁵

¹ GPA Petition for Review and Approval of Substation Automation Contract under GPA Smart Grid Project, GPA Docket 11-13, filed July 12, 2012.

² Id. p. 2.

³ Id.

⁴ PUC Order, GPA Docket 10-01, issued July 27, 2010, at p. 2.

⁵ PUC Order GPA Docket 11-13, issued December 19, 2011, at p. 2.

6. The PUC also approved and implemented measures to assist GPA in rapidly implementing its Smart Grid Program; if expeditious action is not taken by GPA to implement Smart Grid, there is the possibility that its Grant could be terminated by the U.S. Department of Energy.⁶
7. In said Order, the PUC implemented an expedited procedure for Smart Grid projects whereby GPA would not need to obtain prior PUC approval for procurements of Smart Grid Projects, but only to obtain final review and PUC approval of Smart Grid Contracts.⁷
8. On June 11, 2012, the Commission approved the Electric Smart Meter and Advance Meter Infrastructure (AMI) Contract with Landis & Gyr Technologies.⁸

DETERMINATIONS

9. GPA conducted due diligence in procuring and negotiating the contract with Black Construction Corporation.
10. GPA has demonstrated that the implementation of its contract for the Substation Automation is critical to the success of GPA's Smart Grid Project.
11. Approval of this contract will not have any additional impact upon customer power rates. Funding for this contract was already included in the 2010 Bond Issuance and does not involve the expenditure of additional ratepayer funds.

ORDERING PROVISIONS

After a review of the record herein, GPA's Petition for review and approval of its Substation Automation Contract with Black Construction Corporation, and the PUC Counsel Report, for good cause shown, the Guam Public Utilities Commission HEREBY ORDERS that:

1. GPA's Petition for review and approval of the Substation Automation Contract with Black Construction Corporation is hereby granted.

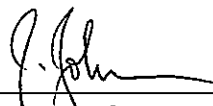
⁶ Id. at p. 2.

⁷ Id. at p. 3.

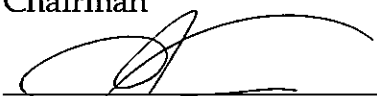
⁸ PUC Order, GPA Docket 11-13, issued April 30, 2012.

2. The recommendations and reasoning contained in the Counsel Report are adopted.
3. GPA is authorized to expend up to the amount of \$3,195,421.00 for said Contract.
4. GPA shall continue to comply with its monthly reporting requirements to the PUC as set forth in the PUC Order dated July 27, 2011. GPA shall submit ongoing progress reports to the PUC concerning this contract and other ongoing Smart Grid Projects.
5. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of the 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.

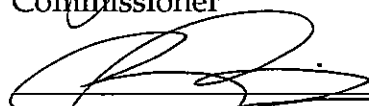
Dated this 30th day of July, 2012.



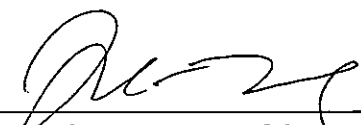
Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner



Michael A. Pangelinan
Commissioner



Joseph M. McDonald
Commissioner

Filomena M. Cantoria
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

GPA DOCKET 12-07

THE APPLICATION OF THE GUAM
POWER AUTHORITY REQUESTING
APPROVAL AND USE OF 1999 BOND
FUNDS FOR THE CABRAS 1 & 2
DISTRIBUTED CONTROL SYSTEM
(DCS) CONVERSION

ORDER

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Guam Power Authority's ["GPA"] Petition for approval and use of 1999 Bond Funds for the Cabras 1 & 2 Distributed Control System (DCS) Conversion.¹

BACKGROUND

2. The existing pneumatic control systems at the Cabras 1 & 2 power plant are the original controls systems installed in 1975 and are now obsolete.²
3. Taiwan Electrical and Mechanical Engineering Services, Inc. [TEMES] is the Performance Management Contractor for GPA for Cabras Units 1 & 2.³
4. TEMES has submitted a feasibility study and cost estimate for upgrade of the controls at Cabras 1 & 2 to a distributed control system.⁴ The new DCS will allow the plant to operate within tighter control set points on key parameters including superheater temperature, reheater temperature, steam pressure, oxygen levels and combustion control, and respond more quickly to system changes. The result is the more efficient operation of the plant resulting in improvement in heat rate. The DCS will also provide improvements in data acquisition, data logging, trending and alarms which allow operators to be more proactive in responding to potential system failures, leading to improved plant availability.⁵

¹ GPA Petition for Approval and Use of 1999 Bond Funds for the Cabras 1 & 2 Distributed Control System Conversion, GPA Docket 12-07, filed June 29, 2012.

² Guam Consolidated Commission on Utilities Resolution No. 2012-32, adopted June 5, 2012.

³ Id. at p. 1.

⁴ TEMES, DCS & BMS Proposal for Cabras Units 1 & 2 (May 2012).

⁵ GPA Cost-Benefit Analysis [Justification] attached to GPA Petition in GPA Docket 12-07, and filed June 29, 2012.

5. GPA, through the support of its Program Management Office (PMO) R.W. Armstrong, has evaluated the TEMES proposal and determined that the scope and cost is fair and reasonable; the estimated total cost for the project is \$6M.⁶
6. GPA indicates that the project was originally approved as part of the 1999 bond series in the amount of \$1.3M.⁷
7. GPA now requests that the PUC approve the use of additional excess 1999 bond funds to fully fund this DCS project in the total amount of \$6M; the Consolidated Commission on Utilities has approved the request and authorized GPA to Petition for use of 1999 bond funds for the \$6M project.⁸

DETERMINATIONS

9. GPA has presented a convincing justification to the project. The pneumatic systems are obsolete, expensive to replace, and limit the ability to operate the plant within the original design parameters due to slower controller response times. Conversion from pneumatic controls to a DCS should generate savings through improved heat rate, reduced operations and maintenance costs, and improvements in availability resulting in payback in less than 4 years.⁹
10. If no action is taken, operation and maintenance costs associated with the pneumatic system will continue to increase as these parts become obsolete and more costly to replace, resulting in unplanned downtime.¹⁰
11. TEMES represents that a major benefit provided by DCS & BMS is the reduction in fuel use. It guarantees that plant efficiency will be increased by 1.17% and the savings for this improvement is estimated to be \$1,197,259 USD annually after the project is completed.¹¹

⁶ Guam Consolidated Commission on Utilities Resolution No. 2012-32, adopted June 5, 2012, at p.1.

⁷ GPA Petition for Approval and Use of 1999 Bond Funds for the Cabras 1 & 2 Distributed Control System Conversion, GPA Docket 12-07, filed June 29, 2012, at p. 1.

⁸ Id. at p. 2.

⁹ Id [Justification], at p.1.

¹⁰ Id [Alternative], at p.2.

¹¹ TEMES, DCS & BMS Proposal for Cabras Units 1 & 2, at p.1-1.

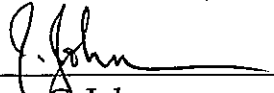
12. The DCS project will contribute to the efficient operation of the Cabras Power Plants.¹²

ORDERING PROVISIONS

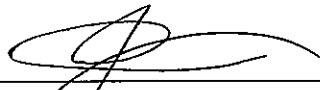
After review careful review and consideration of the above determinations, the GPA Petition for Approval and Use of 1999 Bond Funds for the Cabras 1 & 2 Distributed Control System Conversion, the PUC Counsel Report, and the record herein, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's Petition to use 1999 Bond Funds for the Cabras 1 & 2 Distributed Control System [DCS] Conversion is hereby approved.
2. The PUC finds that the replacement of the existing pneumatic control systems at the Cabras 1 & 2 power plant are "reasonable, prudent, and necessary", as the old system is now obsolete.
3. GPA is authorized to expend up to the amount of \$6M from the 1999 series bonds for this project.
4. 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 30th day of July, 2012.




Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner



Joseph M. McDonald
Commissioner



Michael A. Pangelinan
Commissioner

¹² GPA Petition, GPA Docket 12-07, Id. at p. 3.

Order
GPA Petition for Use of 1999
Bond Funds for DCS
GPA Docket 12-07
July 30, 2012

Filomena M. Cantoria
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

GPA DOCKET 12-08

THE APPLICATION OF THE GUAM
POWER AUTHORITY REQUESTING
APPROVAL OF THE UTILITY
SERVICES CONTRACT (USC) WITH
THE U.S. NAVY

ORDER

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the petition of the Guam Power Authority ["GPA"] requesting Approval of the Utility Services Contract (USC) with the U.S. Navy.¹

BACKGROUND

2. GPA currently provides electric service to the Navy under the Customer Service Agreement (CSA) which was effective August 1, 1992. The CSA expires on July 31, 2012.²
3. Both parties, GPA and the Navy, have determined that they would benefit from continuing with an agreement that provides for electric utility service to the military installations on Guam. They desire to enter into a contract for a ten (10) year term.³
4. The parties have attached their proposed USC to the Petition.⁴
5. On July 10, 2012, the Guam Consolidated Commission on Utilities adopted a resolution which authorized GPA to enter into the Utility Services Contract with the U.S. Navy for electrical service.⁵
5. GPA and Navy have engaged in a negotiation process for over two years and agree upon the proposed USC.⁶

¹ GPA Petition for Contract Review, GPA Docket 12-08, filed July 13, 2012.

² Id. at p. 1.

³ Id. at p. 1.

⁴ Id.; See letter dated July 6, 2012, from Andrew J. Wall, Acquisition Director, NAVFAC Marianas, to Joaquin C. Flores, General Manager, Guam Power Authority, Utility Services Contract attached.

⁵ CCU Resolution No. 2012-43, adopted July 10, 2012.

DETERMINATIONS

7. The CCU recognized that the Navy/Department of Defense is GPA's largest customer, and that the USC will provide a consistent revenue stream to GPA that supplements the remainder of its customer base.⁷
8. The USC will also enable GPA, as the sole company charged with operating and maintaining the Island-Wide Power System (IWPS), to render adequate and efficient electric service to support the DoD's military mission.⁸
9. The USC has significant advantages for GPA: it recognizes GPA as the unique service provider for the military on Guam, the only service provider, unlike any other jurisdiction in the nation.⁹
10. Under the USC, GPA will derive annual revenues from the Navy in the approximate amount of \$70M.¹⁰
11. The USC identifies assets for transfer from the Navy to GPA at an approximate value of \$129.28M, including transmission and distribution assets, and four power plants with substations. A Petroleum Oil Lubricants Fuel Line of 16.5 miles, valued at \$67.5M, and Easements of 113.5 miles, are also identified for transfer to GPA.¹¹
12. In the USC, the parties have "cleaned up" the existing Customer Services Agreement, and have removed and revised articles thereof that are no longer relevant or which do not adequately reflect GPA's current operating environment.¹²
13. The USC contains updated Tables (Table 3 and Table 4), which provide for "joint use" [Navy-GPA] generation and transmission facilities and for Navy Distribution assets to be transferred to GPA.¹³ Table 5 provides for new assets to be transferred to GPA and maintains the transfer mechanism.¹⁴

⁶ Guam Power Authority Presentation to the CCU on the Navy USC, July 10, 2012, pages 7 & 9.

⁷ Id. at p. 1.

⁸ Id.

⁹ Id. at p. 8.

¹⁰ Id. at p. 2.

¹¹ Id. at p. 3.

¹² Id. at p. 8.

¹³ Guam Power Authority Utility Services Contract, Table 3 and Table 4, pgs. 3 & 4 respectively.

¹⁴ Id., Table 5 p. 50; see also Articles 1.6 and 3.1.

14. Navy will continue to make weekly fuel payments under the CSA. It will also be required to make payments to GPA within fifteen (15) days of invoice presentation and subject to late payment charges.¹⁵ GPA previously allowed Navy payment terms of 30 days.¹⁶
15. The USC contains a minimum contract demand and removes the maximum contract demand in the CSA. Article 13.1 of the USC establishes an initial minimum reserve capacity (minimum demand) set at 85% of the average Navy monthly peak conjunctive demands over the 12 months preceding the effective date of the Agreement.¹⁷ By giving notice to GPA, Navy can implement an annual decrease or increase in the minimum reserved capacity not exceeding three and one half percent (3.5%) of the Minimum Reserved Capacity.¹⁸
16. There are some disadvantages too with the new USC. The contract term is limited to one ten (10) year term with no option for extension.¹⁹ Navy will continue to supply water to Guam Waterworks Authority for power generation facilities, but GPA will be billed by GWA and will pay its rates rather than Navy rates.²⁰
17. The power factor adjustments are provided for by the USC, but now only apply to demand charges and not energy charges.²¹
18. The role of the Guam Public Utilities Commission [PUC] is strengthened under the new USC. The PUC is acknowledged to be an eligible regulatory body in accordance with the FAR 52.241-7; the Navy accordingly agrees to comply with the current regulations, practices and decisions of the PUC concerning accounting practices, allowability of costs, cost allocation, pricing and rates, settlement charges, and other charges and fees (subject to appeal to the Guam Superior Court).²²
19. In addition, Disputes Resolution between GPA and Navy involving rate related disputes, accounting practices, allowability of costs, pricing and rates, settlement

¹⁵ Id. at p. 12; see also Article 21.6.2.1.

¹⁶ Id. at p. 19.

¹⁷ Guam Power Authority Utility Services Contract, Article 13.1 at p. 22.

¹⁸ Id.

¹⁹ Id. at Article 6.2.

²⁰ Id. at Article 3.2.

²¹ Id. at Article 15.3.

²² Id. at Article 12.1.

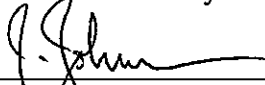
charges, and other charges and fees, shall be referred to the PUC for disposition in accordance with the PUC's Rules of Practice and Procedure.²³

ORDERING PROVISIONS


After review of the record herein, GPA's Petition for Approval of the Utility Services Contract (USC) with the U.S. Navy, and the PUC Counsel Report, for good cause shown, on motion duly made, seconded, and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's Petition for Approval of the Utility Services Contract (USC) with the U.S. Navy is hereby approved.
2. The General Manager of the Guam Power Authority is hereby authorized to execute any and all documents incidental to executing the GPA-Navy Utility Services Contract.
3. The recommendations and reasoning contained in the Counsel Report are adopted.
4. 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.

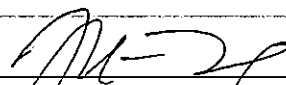
Dated this 30th day of July, 2012.




Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner



Joseph M. McDonald
Commissioner



Michael A. Pangelinan
Commissioner

²³ Id. at Article 19.1.

Order
GPA Petition for Approval of
USC with U.S. Navy
GPA Docket 12-08
July 30, 2012

Filomena M. Cantoria
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

)
) GPA DOCKET 12-09
)

THE APPLICATION OF THE GUAM
POWER AUTHORITY TO APPROVE
THE PROCUREMENT OF RESIDUAL
FUEL OIL NO. 6 FOR THE BASELOAD
POWER GENERATING PLANTS)
)
)

ORDER

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] for Approval of the Procurement of Residual Fuel Oil No. 6 for the Baseload Power Generating Plants.¹

BACKGROUND

2. GPA's current contract for Residual Fuel Oil (RFO) with Petrobras Singapore ["Petrobras"] will expire on February 28, 2013.²
3. The present contract with Petrobras does provide an option for two (2) year extensions with the mutual agreement of the parties.³
4. While the present contract provides for renewal, Petrobras has notified GPA of a substantial profit loss under the existing contract attributed to the increased cost of the blending components used to meet GPA's fuel specifications. The increased cost of such blending (i.e. Viscosity, Vanadium Content, and API Gravity) has substantially increased the contract premium fee that GPA pays.⁴
5. In light of its substantial profit loss, Petrobras has informed GPA of its decision not to exercise the option to extend the contract once the three year contract period expires in February 2013.⁵
6. GPA's current fuel oil contract for HSFO and LSFO exceeds the cost of \$300M annually.⁶

¹ GPA Petition for Contract Review, GPA Docket 12-09, filed July 16, 2012.

² Id. at p. 1.

³ Guam Consolidated Commission on Utilities Resolution No. 2012-42, adopted July 10, 2012, at p. 1.

⁴ Id.

⁵ Id.

⁶ Id.

7. The CCU has authorized GPA to petition the PUC for approval to issue bids to procure Residual Fuel Oil No. 6.⁷
8. PUC Counsel filed his Report herein on July 25, 2012.⁸

DETERMINATIONS

9. In accordance with the Contract Review Protocol, "GPA is required to seek prior PUC approval for any contract which exceeds \$1.5M before the procurement process is begun..."⁹
10. Petrobras submits that numerous factors, including natural disasters in Japan, have caused a spike in the oil consumption and resulted in the reduction of the availability of fuel oil.¹⁰
11. Petrobras states that, since the premiums on fuel supply have been rising, it is now more costly for Petrobras to blend the cargos to deliver to GPA.¹¹
12. Petrobras proposed that GPA could adopt new fuel quality specifications to assist it in reducing the blending cost for future supplies. Such options involve reducing the specifications for gravity, viscosity, and vanadium content of fuel oil.¹²
13. GPA solicited the services of its Program Management Office, RW Armstrong (RWA) to evaluate the feasibility of changing certain quality parameter limits to optimize the fuel specifications without compromising power plant and logistical operations.¹³
14. In its Report, RWA determined the new fuel quality specifications could be adopted for all of the baseload plants with minimal impact; however, GPA may be required to negotiate changes in the fuel specifications with the existing performance management contractors. Certain other changes may also involve costs.¹⁴

⁷ Id. at p. 2.

⁸ PUC Counsel Report, GPA Docket 12-09, filed July 25, 2012.

⁹ Contract Review Protocol for Guam Power Authority, Administrative Docket dated February 15, 2008.

¹⁰ Petrobras Presentation, Exhibit "A" CCU Resolution No. 2012-42, dated May 2012.

¹¹ Id.

¹² Id.

¹³ CCU Resolution No. 2012-42, adopted July 10, 2012, at p. 1.

¹⁴ Exhibit "B" to CCU Resolution No. 2012-42, adopted July 10, 2012.

15. Based upon the foregoing analysis, it is prudent for GPA to issue a procurement for RFO. GPA anticipates that the reduction of restrictions in the fuel quality specifications will increase bidder participation, yield more competitive price offers, and thereby reduce fuel costs for GPA customers.¹⁵
16. GPA has submitted a Draft Bid Specification for GPA-068-12, Supply of Residual Fuel Oil No. 6.¹⁶ The proposed Bid should encourage more bidder participation, as under the bid, bidders will be able to select different options for fuel specifications in their fuel bids as outlined in Tables 1, 2, and 3.
17. The proposed bid/contract appears to protect the interests of GPA and Ratepayers. All risk of loss, cost and liabilities prior to the time of passage of title of the fuel oil to GPA is upon the contractor/bidder.¹⁷
18. There also other protections for GPA, including a substantial performance and payment bond requirement. The successful bidder must deliver to GPA an executed performance and payment bond in an amount at least equal to fifteen percent (15%) of the annual cost of the accepted total bid amount as security for the performance of the contract.¹⁸
19. GPA has a clear need for Residual Fuel Oil No. 6 for the Baseload Power Plants. Such fuel is essential to the operation of the Cabras Power Plants; the contract for such fuel is reasonable, prudent and necessary.

ORDERING PROVISIONS

Upon consideration of the record herein, the Petition of GPA, the PUC Legal Counsel Report, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby **ORDERS** that:

1. The July 13, 2012 Petition of GPA for Approval of the Procurement of Residual Fuel Oil No. 6 for the Baseload Generating Plants is hereby approved.

¹⁵ CCU Resolution No. 2012-42, adopted July 10, 2012, at p. 1.

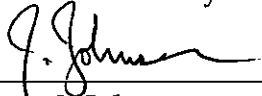
¹⁶ Exhibit "C", to CCU Resolution No. 2012-42, adopted July 10, 2012, IFB GPA-068-12.

¹⁷ Id. at p. 55.

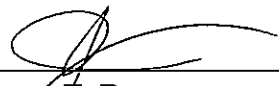
¹⁸ Id. at p. 14.

2. GPA has demonstrated a clear need for Residual Fuel Oil No. 6 for the Baseload Power Plants, as such fuel is essential to the operation of the plants. It is reasonable, prudent and necessary for GPA to proceed with the procurement for the supply of such residual fuel oil.
3. Once a final contract for supply of residual fuel oil has been negotiated, GPA should submit such contract to the PUC for final review and approval.
4. 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.

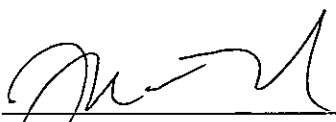
Dated this 30th day of July, 2012.




Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner



Joseph M. McDonald
Commissioner



Michael A. Pangelinan
Commissioner

Filomena M. Cantoria
Commissioner