

GUAM PUBLIC UTILITIES COMMISSION  
REGULAR MEETING  
AUGUST 27, 2013  
SUITE 202, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 7:00 p.m. on August 27, 2013, pursuant to due and lawful notice. Commissioners Johnson, Perez, McDonald, Pangelinan, and Montinola were in attendance. The following matters were considered at the meeting under the agenda made *Attachment "A"* hereto.

**1. Approval of Minutes**

The Chairman announced that the first item of business on the agenda was approval of the minutes of July 30, 2013. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the minutes subject to correction.

**2. Teleguam Holdings, LLC**

The Chairman announced that the next item of business was GTA Docket 13-02, Teleguam Holdings Tariff Transmittal No. 24, and Notice of Reduction in Rate on the Emergency Line Service (Informational). Counsel indicated that, at the last meeting, the Commission approved Emergency Line Service as a permanent tariff. The Service involves a phone line provided through the internet. At that time, the Commission set rates for the service at \$7.00 monthly for recurring charge for residential, and \$24.00 monthly for businesses. Upon consumer input, GTA decided to lower the tariff. GTA has given notice that it is reducing the tariff charge for this service back to \$1.00 per month for both residential and business. The Guam Telecommunications Act, Section 12106(d), provides that when a telecom company lowers a rate or tariff, it can do so without the approval of the Commission. That is what happened here. GTA is giving notice to the Commission that it has reduced the rates for the Emergency Line Service.

**3. Port Authority of Guam**

The Chairman indicated that the next item on the agenda was PAG Docket 12-01, Casper's Condition Survey/Critical Repairs Report, and ALJ Report. Counsel stated that, when the Commission originally approved the purchase of the POLA Cranes, reports from consultants had been submitted, including the Casper Condition Report and the Andres Report. The reports indicated that the cranes which the Port was purchasing, Cranes Nos. 14, 16, 17 and 4, had certain repairs that needed to be done. As a part of the Commission's order, PUC required that the Port report back to the Commission by June 15, 2013, concerning the progress that had been made on these repairs. The Port filed its Report on the condition of the repairs on July 8; it provided a



listing which sets forth the repairs that the negotiating committee had agreed needed to be made.

The ALJ report indicates that many of the repairs have been made, but not all. The ALJ recommends that the Port be required to file another condition repair report by December 15, 2013. The Order which the ALJ has prepared would require the Port to file this report by December 15 detailing the progress of the remaining repairs indicated in the Port's list of critical repairs or any other repairs or preventive maintenance work that PAG or its consultants have identified. The Port General Manager Joanne Brown indicated that PAG has no objection to the proposed Order. The bulk of the repairs required have actually been made. In the near future, PAG can provide the PUC with a status report on the remaining projects and provide further update to the Commission.

#### **4. Guam Waterworks Authority**

The Chairman stated that the next item on the agenda was GWA Docket 13-01, Petition of Guam Waterworks Authority for Rate Relief, ALJ Status Report. Counsel explained that GWA had hired Brown & Caldwell as its Program Management Office. Originally the PMO was to handle military build-up activities; the role was expanded to include other projects that GWA needs. The initial funding was \$3.2M.

At that point Commissioner Pangelinan indicated that the Commissioners needed to vote on the Order approving the December 15, 2013 reporting requirement upon GWA. Upon motion, seconded and unanimously carried, the Commissioners approved the Order.

Counsel continued with his explanation on the ALJ report concerning the GWA PMO. GWA subsequently requested that the PUC increase the Brown & Caldwell contract by \$1.2M, which increase was granted; the ALJ advises us that on July 30, 2013, GWA is requesting an additional \$2.16M increase for the Program Management Office. The status of this matter, according to the ALJ, is that it has now been referred to the PUC consultant, Lummus for a review of the requested increase. Lummus will provide recommendations to the PUC on this matter within approximately one month. GWA General Manager Martin Roush stated that he felt the ALJ recommendation was a positive step.

The Chairman announced that the next item on the agenda was GWA Docket 13-03, Petition for Approval of GWA Bid and the Proposed Contract for Lab Services with Eurofins, ALJ Report, and Proposed Order. Counsel stated that, at the last meeting, the ALJ had recommended that GWA indicate a source of funding for this project. At that time, GWA was ordered to discuss the matter with the ALJ and to provide information on the source of funding. This has now been done. GWA indicates that the source of funding will be GWA revenue funds. In his Report, the ALJ analyzes the Contract. GWA already has a contract with Eurofins to do various kinds of lab work, lab testing of water quality and water content. The contract has been in effect for one year. However, GWA determined that, since this is going to be an ongoing service required,



it would be appropriate to have an additional four years on the contract. So, the total contract proposed would be for a five year term.

The annual cost is \$568,185. Total five year contract cost is \$2,840,000. GWA has indicated the need for certified lab service. Other than the Navy, there is no such service on island. For that reason, GWA needs to contract with Eurofins, a Hawaii company. The service is required for samples submitted to the U.S. E.P.A. Certification is required under the Safe Drinking Water Act and the Guam Primary and Secondary Drinking Water Regulations. The ALJ finds that the contract is necessary, that the services have to be performed by a certified company, and that the annual amounts for the contract are reasonable. He recommends that the PUC approve GWA's Petition.

Commissioner Montinola asked whether the contract went out to bid. The GWA GM Roush indicated that it had. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Eurofins Contract and adopted the Order made *Attachment "C"* hereto.

## **5. Guam Power Authority**

The Chairman indicated that the next item on the agenda was GPA Docket 13-12, GPA's Application requesting Approval of the Smart Meter Opt-Out Program, Consultant's Report and Proposed Order. Counsel indicated that the Smart Grid Project has been before the Commissioners on many occasions; the Commission has repeatedly approved the use by GPA of these smart meters that are a part of the project. Installation of those meters is a central part of the Smart Grid Project. GPA has made a lot of progress on implementing the meters. Over 40,000 have been installed, with perhaps 5,000 left on the commercial side. Various village meetings had come to GPA's attention.

There have been certain customers who object to the installation of the smart meters. They have raised the possibility of health dangers, including causation of cancer through the radio frequencies in the meters. GPA decided that it should have an "Opt-Out Policy" whereby customers that do not want the meters installed on their properties can have the right to opt-out. But, if there is such an opt-out policy, the question becomes the terms and conditions under which customers can opt-out. The first question is why to have an opt-out policy. One of the benefits of the smart meters is supposed to be savings of approximately \$5M per year. If many customers opt-out, it could undermine the program and reduce the amount of possible savings. Therefore, it is probably the case that the policy should not make it too easy to opt-out because that would undermine the whole purpose of having a smart meter system. That is one policy consideration. On the other hand, we do live in a democracy, and there is the thought that utilities should not be too heavy-handed and force people to accept something that they don't want. GPA has been looking at various opt-out programs in the U.S. mainland; it has decided that at least some type of program has to be created which gives those who truly object to the installation of the meters a manner in which they can get out of it.



There are costs to GPA from an opt-out policy. GPA will need hand readers and meter readers who go to people's homes where there are no smart meters. GPA must invest in certain meter reading equipment. Assuming there is an opt-out policy, there are at least two approaches. One would be to leave the old legacy meters with customers who opt-out. The second approach is to install the new smart meters even on the premises of those who opt-out, but to turn off the radio frequency portion of the meters. It is the RF which the opt-outers argue is the cancer-causing element. GPA proposes to turn off the radio frequency on the smart meters of those persons who opt out. This is likely the best approach. The old legacy meters are outdated, and difficult to repair or replace. Also, there is a possibility that if a customer opts out, the next owner of the property might want a smart meter. In terms of up keeping the meters, it is easier to maintain the newer smart meters. GPA makes a convincing argument that it should be allowed to use the smart meters, but turn the RF off for those who opt out.

The most important aspect of the program is the cost. This is an issue for the Commissioners to decide. GPA has presented a plan where the initial fee for opting out would be \$235.00. GPA bases this initial opt-out fee upon a total cost of \$235.00 for 1,000 customers. It includes salaries of the meter readers, the meter reading equipment, vehicles, gas, the time to go to each individual's home, etc. GPA would then also charge \$20.00 per month to a customer who opts out. This cost is based upon the expenses of sending the meter reader to the residence each month and to upload the information obtained into the computer system. Under basic rate making principles, when a ratepayer causes costs to the utility, that ratepayer should be responsible for those costs. Since GPA shows that it will incur costs, the ratepayers that cause these costs should pay them. Conversely, other ratepayers who don't cause those costs shouldn't be saddled with them. Are the amounts proposed by GPA reasonable? Lummus Consultants examined this issue and determined, based upon the assumptions that GPA had made, that GPA's program costs were reasonable. Lummus felt that maintaining a sufficiently high upfront cost was a good approach to encouraging customers to allow smart meters with communications.

If the goal is to encourage the use of smart meters, then there would be a higher upfront costs. It is a policy issue. Although GPA's costs were based upon 1,000 customers opting out, at the last meeting GPA's CFO Mr. Wiegand indicated that there were probably between 72 and 75 opt-outers to date. The numbers of opt-outers aren't really clear. We don't know how many there will really be. Vehicle costs were included for this program, but it is not clear that GPA will actually need new vehicles for the meter readers or whether two vehicles would be necessary. The Order on the proposed opt-out policy would approve the policy, but leave the issue of opt-out cost to the Commissioners. GPA would also be required to come back to the Commission within a year, and to report on the success of the program, the number of opt-outers, if the program should be continued, and various other matters.

The Chairman asked GPA whether there were still about 75 customers that wished to opt-out out of 40,000. John Cruz, GPA Representative, stated that there were 274. Mr. Cruz indicated these were all residential customers; there were no opt-outers in the



commercial class. The Chairman asked whether, when the program rolls out there would be more people opting out or fewer. Mr. Cruz stated that there were still 2,000 residential meters left to be installed. Mr. Cruz felt that most of those would accept the meter. GPA AGMO Camacho indicated that many individuals ask to be "bypassed" but they have not yet been opted out. The Chairman wondered whether the cost of the opt-out policy could change the original estimation of 1,000 customers. Mr. Cruz did indicate that some of the people who initially wished to opt out had changed their minds. Commissioner Montinola asked whether, if there were only 500 customers, this would double the opt-out fee. GPA Legal Counsel Botha indicated that would be a policy call for the Commission to make. If one were trying to insure that all the costs made by those who choose to opt-out were covered, the cost would have to be spread among the final number of people who opt-out. Mr. Botha indicated that the Commission could determine an appropriate level and GPA would cover as much of the cost as it could under that assumption.

Commissioner Montinola clarified that no opt-out fees have yet been established, so the numbers are based on those who say they wish to opt-out. GPA Counsel Botha confirmed Commissioner Montinola's understanding. Commissioner Montinola complimented GPA on the materials submitted. Some areas, such as Portland have higher fees and others have lower opt-out rates. He questioned what would happen if only 16 people opted out. The Chairman stated that the Commission would reevaluate this matter one year down the road. The Commission just has to get something to work with at present. GM Flores indicated that the manual read system causes GPA to incur costs, so those customers who cause such costs should cover the costs. Such systems only have a five year service life. There are capital costs to purchase the handhelds, the reading devices and the software. These are recurring costs; as their service life expires, you are going to have capitalization on that.

Commissioner Montinola stated his opinion that the opt-out fees proposed seem reasonable. Other states have adopted something similar. Commissioner Montinola asked whether all consumers had to be on the smart grid in order for it to work properly. GM Flores indicated that the answer was no. But the issue is that electromechanical meters are becoming more and more obsolete. Landis & Gyer meters were used for the entire system. If the electromechanical meters become obsolete, GPA will not be able to replace them. Commissioner Montinola asked if, without the communication portion of the smart meter, with the manual read, can GPA still pull the information as to when the peaks and off-peaks are for a customer. GM Flores indicated that the meters, even with the RF turned off, still has memory storage, flash memory storage capabilities that will be intact. Chairman Johnson asked whether customers were demanding to have the old meters. GM Flores indicated that a good majority of the meters were already solid state meters. We are not sure how many of those wishing to opt out have electromechanical meters.

Chairman Johnson asked whether, when GPA reads the meters, there would be a meter reader actually reading the digital read out of the meter. GM Flores indicated that the meter readers will have a handheld device. The meter cycle is uploaded to a handheld



device. It has a sequence number, route number, and meter number. The meter reader would follow that sequence and that route and actually hook up with the fiber probe, a physical connection to download the meter data. The reader has to be at the meter, hooked up to the meter. There is a digital read. But the preference is to hook up with a probe and then download the data so that you can upload the data in the command center and process 50-minute demand intervals. The Chairman confirmed that even with the opt-out customers, GPA could get good data to interpret their use.

GM Flores indicated that the problem with opting out is that you do not get to have an effective use of the portal to manage your electricity. With the opt-out you lose that feature in accessing the portal for your benefit. The Chairman believes that most people will see the benefit of the smart meters. Mr. Cruz indicated that the opt-outers also forgo the benefit of GPA locating them in a localized outage. The customer would have to call GPA. Those customers do not get an alert when there is a problem with the meter. The Chairman asked whether, when the smart meters are rolled out, GPA will have the capability to have a home area network with the meters. GM Flores indicated that they were evaluating devices now with GPA employees. The Chairman then asked about the potential security concern when the home area network is integrated into the system. Mr. Cruz stated that every single residential meter has a safety check. It's turned off right now. But, at the request of customers, they can have GPA remotely turn it on or when they purchase it on.

Commissioner Perez asked whether, when the opt-outers get the meters, we turn off the RF. GM Flores confirmed that was correct. Commissioner Perez asked whether the customer who doesn't want the smart meter at all will receive any service. Counsel Botha stated that if they don't have smart meters, they don't receive service. The Chairman asked whether there was a concern if too few people opted out. GM Flores indicated that was a tough call. Systems are not cheap. The Chairman asked what the ballpark cost for the meter reading system was. GM Flores indicated \$100,000 for the application software, the uploading software and the implementation. GM Flores indicated that GPA will know right away who is going to opt out. Commissioner Perez confirmed that there was a one-time opt-out fee of \$235 and a \$20.00 monthly fee.

Commissioner Montinola asked whether GPA had initiated a customer service person or team to go out to talk to people concerning the smart meters. GM Flores indicated that, throughout the implementation of the meters, there has been contact. There have been many inquiries. For those who opt out there will be an application they need to formalize the service agreement. Commissioner Pangelinan asked whether GPA would charge the fee when the opt out customers submit the application or on the customer's next bill. GM Flores indicated that the customer has to formally apply and to sign forms regarding the opt-out. The Applicant has to prove ownership of the dwelling. The Chairman asked what timeframe GPA would allow for customers to comply with the system. GM Flores indicated it's in the policy, it's a few weeks. Once the opt out policy has been approved by the PUC, GPA will have a communication plan ready to roll out its program. Customer reps will be trained on what the policy is. We'll try to proceed as quickly as possible. The Chairman asked whether GPA would allow the



customer sixty days. The GPA GM stated that there would be a "short period of time." The Chairman advised GPA to go at least sixty days because people go off island, they travel. It would be better not to cut the window down to thirty days. GM Flores concurred.

Commissioner Montinola stated that, based upon the consensus of the reports, proposed numbers in the policy, \$235 up-front payment and \$20.00 monthly, were deemed reasonable. Therefore he moved to approve the Opt-Out Policy. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Opt-Out Policy and adopted the Order made *Attachment "D"* hereto. The Chairman then asked concerning the progress on Cabras No. 3. AGMO Camacho indicated that it's in the review, testing and alignment process – GPA is shooting for the end of September.

The Chairman announced that the next matter for consideration was GPA Docket 13-11, Petition to Approve the Contract with Tristar for the Fuel Storage Agreement, PUC Counsel Report and Proposed Order. Counsel indicated that, at the last meeting, consideration of the Storage Agreement was tabled by Commissioner McDonald's motion. There was a need for more information from Tristar before the Commission could make a decision. In the meantime, Tristar did provide a letter dated August 12, 2013, a copy of which has been provided to the Commissioners. Tristar indicated that this contract renewal was the first opportunity that it had to reevaluate the cost of the Storage Agreement since Tristar took over the Agat Terminal from Shell. Tristar claimed that it was not even at the breakeven point with the present charges and provided a chart as justification.

Also, Tristar indicated that it had done a lot of maintenance and repairs on some of the tanks, Tank 1903. Tristar is unwilling to compromise on the 20% increase for the first year or the 4% per year cost of living increase thereafter. The Supplemental Order prepared would approve the Storage Agreement – it points out that GPA's own cost per barrel is higher than that of Tristar. This evidence submitted by Tristar showed increased costs for the maintenance of the storage tanks. Commissioner Montinola asked whether the PUC was going with Tristar again. The Chairman indicated that Tristar had us over the barrel, so to speak. GM Flores indicated that this situation demonstrated that GPA should seriously look at owning its LNG assets in the long term. GPA Counsel Botha pointed out that Tristar's contention was that, when it took the facilities over from Shell, no major maintenance had been done upon the facilities. Now Tristar takes the position that it needs to do proper refurbishments to prolong the life of the tanks. IF GPA is using the tanks, Tristar believes that it is not unreasonable to charge GPA.

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The Chairman asked whether Tristar was putting \$5M in tank 1903 alone. Counsel Botha confirmed that that was correct. AGMO Camacho indicated that GPA gets a discount until its fuel is moved to a different tank during the period of when 1902 is worked on. The Chairman asked if GPA would have less tank storage during the period of time when 1902 was down. AGMO Camacho confirmed that was correct, and GPA will pay the lower cost. Commissioner Montinola asked whether the fees GPA



was paying was for the rental of the whole tank (1902). AGMO Camacho again confirmed that was correct, whether or not GPA uses the capacity. Ms. Camacho indicated that the fuel stock was kept at thirty days. The Commissioners confirmed that the contract was for five years.

Commissioner Perez asked whether GPA discussed the cost of living increase with Tristar, because Tristar is assuming that the cost of living is automatically at 4%. Since the average was supposed to be 3.7%, why didn't GPA work to keep it at 3.7%? AGMO Camacho indicated that the average over the years was 3.7%. The risk is that one year it will go lower and then it could go as high as 5%. So, Tristar wanted to even it out at 4% per year so the rate would not be erratic. It's a steady fee that GPA can anticipate. Commissioner Perez asked how many spikes there were in the cost of living in past years and how many years were used to average it out. GPA Counsel Botha indicated that cost of living increases were done under Shell. This is Tristar's first contract with GPA and Tristar wants to make sure that they cover their costs. AGMO Camacho says that GPA uses a similar cost of living adjustment in its PMC Contract.

Counsel Botha stated that Tristar amortizes its costs over five years. AGMO Camacho also pointed out that this storage lease includes the piping to the tank. Tristar simply indicated that this is the best information it could provide to GPA; if GPA wanted to pay for an audit for Tristar, Tristar would open its books to GPA. However, Tristar indicated that this was its best and final offer. Commissioner McDonald asked if the rental was for the whole storage tank, but the fee is per barrel charge and usage. AGMO Camacho indicated that GPA averaged the fee on a per barrel cost initially, because the tank is not at full capacity, it's on a per-barrel charge at present. The charge is just for what GPA occupies, because Tristar needs to move fuel around to their other tanks while it repairs the tank that GPA is using.

Commissioner Montinola moved to approve the Supplemental Order as written. Commissioner Montinola then asked if 1902 was the largest tank. AGMO Camacho indicated that it was one of their large tanks. Commissioner Montinola asked whether a smaller tank could be used. AGMO Camacho indicated that the other tanks were significantly smaller. Commissioner Pangelinan asked what the situation presently was; hypothetically, if the Commission did not approve the contract tonight, what would the situation be. AGMO Camacho indicated that GPA and Tristar would be back to \$2.75 a barrel even though the agreement has already expired. GM Flores indicated that GPA was going month to month. He is not sure whether there is still a legal agreement. GPA Counsel Botha indicated that there was no agreement yet. There were no extensions in the old contract. At present GPA is at the mercies of Tristar. At some point, Tristar will likely indicate that the rate has gone up if GPA wishes to continue the services.

Chairman Johnson asked whether the repairing of the tanks by Tristar was under federal EPA direction. Counsel Botha stated that the repairs are necessary according to Tristar because there has been a lack of maintenance under the original owner. Tristar does not believe that waiting for the repairs is an option. Commissioner Perez asked



whether it had made no repairs on the tank under the old contract, but now with the new contract, Tristar wants to make these repairs. GPA Counsel Botha stated that Tristar indicates it needs to make the repairs. Commissioner Perez asked whether there was no need prior. AGMO Camacho indicated Tristar stated that it had been reducing storage capacity. GM Flores indicated that it was a five to seven year interval for a major tank overhaul. Counsel Botha stated that the long term hope was that, by the time this contract expires with Tristar, GPA will have moved on to LNG. Next time around, GPA would be in a position to tell Tristar that it no longer needs the storage tanks. Commissioner Montinola asked whether LNG was going to happen within five years. If GPA didn't need the tanks anymore in the five year contract, would it still be obligated to pay the fees whether they use the tank or not. Counsel Botha indicated that LNG would not happen within the five years.

Commissioner Montinola asked whether if GPA didn't need the tanks for whatever reason, it still has to pay for the remaining years of the contract. AGMO Camacho indicated that there was a termination clause in the agreement where GPA would not have to pay the entire price, but would have to pay a certain amount for termination. GM Flores indicated that, in the event of termination, Tristar would have to clean the tanks to meet the specifications for other fuel oil. Commissioner McDonald stated that it was confusing because GPA previously spoke of a per barrel charge, but then said that if it only uses a third of the capacity, it would pay a third, or if it used a tenth of the capacity it would pay one tenth. AGMO Camacho stated that because the tank is not fully available, GPA only pays for what it is storing. Once the tank is refurbished and all the improvements made, GPA will be paying for about 430,000 barrels at full cost. She stated that cost was only prorated now because Tristar is repairing the tank. Commissioner McDonald asked whether there were extensions with the five year agreement. GPA Counsel Botha indicated that there were not.

The Chairman indicated that since there was no second to Commissioner Montinola's motion, that motion was dead. Commissioner Pangelinan then moved that this matter be referred to a Consultant to get an opinion on whether they think it's a reasonable contract, that the numbers provided are reasonable and consistent with industry practice standards. The Chairman explained that the motion was that the Commission refers the matter to the Consultant to do some further review and obtain a report from the Consultant within thirty days. GM Flores indicated he felt Tristar could hold the line for another thirty days. Upon motion, seconded and unanimously carried, the Commissioners moved to refer the matter of the reasonableness of the proposed Storage Agreement between GPA and Tristar to the PUC Consultant for review and report.

## **6. Administrative Matters**

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The Chairman announced that the next item on the Agenda was General Order 13-03, Adoption of Filing and Certification Deadlines for USAC in accord with FCC Order. Legal Counsel stated that Mr. Sean Miles of Docomo brought to Counsel's attention a Federal Communications Commission Opinion issued in June of this year which indicated that the filing deadlines for Eligible Telecommunication Carrier Reports and



Universal Service Administrative Company certifications would be extended. Normally the reports from ETCs on Guam are due by August 31 of each year. There are three ETCs on Guam: GTA Teleguam Holdings, Guam Teleguam, and IT&E. The PUC reviews the ETC Reports and then files certifications with the FCC indicating that the funds that these carriers will receive from the federal government will be used for the purposes identified in the Federal Telecommunications Act. These are the universal support funds that each of the companies receive.

Three months ago, the FCC extended the deadlines for filing of ETC Reports; its deadline had been August 1 of each year, but the FCC decided to extend the deadline because new federal rules and regulations had been enacted. Also, the FCC had approved a new federal form, Form 481, which the ETCs will use for their report submissions to the FCC. Counsel examined the rules, the FCC Orders and determined that the Guam PUC should follow the FCC lead in this regard. Counsel, as ALJ, issued General Order 13-02, which held that since the FCC had modified the rules and the deadlines, it made sense that the Guam PUC should, in the interim, follow those amended rules and guidelines. On August 8, 2013, the FCC issued a Notice of Determination concerning the guidelines and rules. It decided that the ETC Reports would be due by October 15, and that certifications, such as those filed by the PUC with the FCC for the three ETCs in Guam, would be due by December 16<sup>th</sup>. Counsel asks that the Commissioners examine this ruling and adopt it.

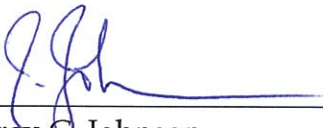
General Order 13-03 would basically extend the deadlines for ETC Reports. These Reports also include the five year plans that each of the telecom carriers files annually. The Order would extend the deadline from August 31 to October 15; PUC would be required to provide certifications to the FCC by December 16. It makes sense to follow the same deadlines as the FCC. Counsel also considered Form 481, which the FCC is using for these Reports. However, it is a very cursory form, with a fill-in-the-blanks format. He questions whether the form would be appropriate for the PUC practice on Guam. He discussed this issue with a representative of one of the ETCs. He feels that at least for now, the PUC should not adopt the federal Form 481. This can be done later, if necessary. In conclusion, the Order would adopt the FCC deadlines of October 15 for the ETC Report filings, and PUC certifications to the FCC would be due by December 16. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the adoption of the same deadlines for the filing of FCC reports and USAC certifications as adopted by the FCC, and further adopted the Order made *Attachment "E"* hereto.

Counsel also reported on the RFPs for ALJ, Legal Counsel, and Consultant. The RFPs were issued and the responses have been filed. The responses are now pending with the PUC Administrator. There is a tight deadline. The current contracts expire for the Administrator at the end of September and for the rest of the positions by about October 9 or 10. The Commissioners need to evaluate the submissions, and contracts have to be negotiated and entered into so that they could be approved by the Commission by September 24, which is the last meeting before the expiration date on October 10 (unless there is a special meeting).



Counsel proposes, if possible, the Commissioners meet on Thursday of this week to evaluate the three separate proposals. For the ALJ and Counsel, there was one applicant each. For the Consultant, there are two applicants. The Commissioners will need to evaluate each bid to make sure that the bidders are responsive and in accordance with Guam law. The Commissioners, in accordance with past practice, would evaluate each applicant; and, based upon such evaluation a selection would be made and a contract negotiated. The Chairman indicated that the PUC also has to start its budget process for the next fiscal year. He suggested that the budget could be done at the same time. He felt that Thursday was a good date to accomplish these matters, as he is traveling off island. The Commissioners concurred that Thursday, August 29, was an appropriate date for them, at 7 p.m. Counsel indicated that Mr. Alcantara from the Mair firm would also be present on that date.

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



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Jeffrey C. Johnson  
Chairman



**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION  
REGULAR MEETING  
SUITE 202, GCIC BUILDING  
414 W. SOLEDAD AVE. HAGATNA, GUAM  
7:00 p.m., August 27, 2013**

**Agenda**

1. Approval of Minutes of July 30, 2013
  2. Teleguam Holdings LLC
    - GTA Docket 13-02, Teleguam Holdings, LLC ["GTA"] Tariff Transmittal No. 24, Establishment of a Permanent Tariff for GTA Emergency Line Service, Notice of Reduction in Rate on the Emergency Line Service (Informational)
  3. Port Authority of Guam
    - PAG Docket 12-01, Casper's Condition Survey/Critical Repairs Report, ALJ Report
  4. Guam Waterworks Authority
    - GWA Docket 13-01, Petition of Guam Waterworks Authority for Rate Relief [Re: Review of Petition to Increase PMO Contract], ALJ Status Report
    - GWA Docket 13-03, Petition for Approval of GWA's Bid and the Proposed Contract for Lab Services with Eurofins Eaton Analytical, Inc., ALJ Report, Proposed Order
  5. Guam Power Authority
    - GPA Docket 13-12, GPA Application Requesting Approval of Smart Meter Opt Out Program, Consultant/Counsel Report, Proposed Order
  6. Administrative Matters
    - General Order 13-03, Adoption of Filing and Certification Deadlines for USAC in accord with FCC Order
  7. Other Business
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**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

<b>IN RE: PETITION FOR APPROVAL</b>	)	<b>GWA DOCKET 13-03</b>
<b>OF GWA'S BID AND THE</b>	)	
<b>PROPOSED CONTRACT FOR</b>	)	
<b>LAB SERVICES WITH</b>	)	<b>ORDER</b>
<b>EUROFINS EATON</b>	)	
<b>ANALYTICAL INC.</b>	)	
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**INTRODUCTION**

This matter comes before the Guam Public Utilities Commission (the "PUC") pursuant to the June 6, 2013 Petition for approval of a multi-year contract for laboratory services provided by Eurofins Eaton Analytical, Inc. ("Eurofins"), filed by the Guam Waterworks Authority ("GWA"). In the petition, GWA seeks PUC approval to enter into a multi-year laboratory services contract with Eurofins.

**DETERMINATIONS**

Pursuant to 12 G.C.A. §12004, GWA may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC's express approval. Additionally, pursuant to GWA's Contract Review Protocol issued in Administrative Docket 00-04, "[a]ll professional service procurements in excess of \$1,000,000" require "prior PUC approval under 12 G.C.A. §12004, which shall be obtained before the procurement process is begun . . . ." <sup>1</sup> With respect to "multi-year contracts," "[t]he test to determine whether a procurement exceeds the \$1,000,000 threshold for PUC review and approval (the review threshold) is the total estimated cost of the procurement, including cost incurred in any renewal options." <sup>2</sup>

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<sup>1</sup> GWA's Contract Review Protocol ("GWA CRP"), Administrative Docket 00-04, p. 1 (Oct. 27, 2005).

<sup>2</sup> GWA CRP, p. 4.



On August 23, 2013, the Administrative Law Judge of the PUC (the “ALJ”) filed an ALJ Report detailing his review of GWA’s request to enter into a multi-year laboratory services contract with Eurofins. In the Report, the ALJ considered both the procurement, as well as the resulting contract award to Eurofins, which would permit GWA to extend its current contract for laboratory services with Eurofins for another four (4) years.

Additionally, the ALJ found the procurement to be reasonable, particularly for services of a U.S. E.P.A. certified lab to analyze the water and wastewater samples GWA provides to the Guam Environmental Protection Agency, considering that such testing is required under Guam’s Safe Drinking Water Act and the Guam Primary and Secondary Drinking Water Regulations.

The ALJ further found that GWA is “required to have water and wastewater samples tested by a lab certified by the U.S. E.P.A.”; that “no reasonable alternatives to such services” exist; and that such service will be required “for a long period of time.” Moreover, the ALJ found that the estimated annual amount of \$568,185.00 for laboratory services is reasonable under these circumstances.

The Commission hereby adopts the findings contained in the August 23, 2013 ALJ Report and, therefore, issues the following:

#### **ORDERING PROVISIONS**

Upon careful consideration of the record herein, the August 23, 2013 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:

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1. That, with respect to the proposed extension of the Eurofins contract, GWA is authorized to enter into a multi-year contract with Eurofins for laboratory services, for the full five years, not to exceed the amount of Two Million Eight Hundred Forty Thousand Nine Hundred Twenty-Five Dollars (\$2,840,925.00).


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

**SO ORDERED** this 27<sup>th</sup> day of August, 2013.

  
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**JEFFREY C. JOHNSON**  
Chairman

  
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**JOSEPH M. MCDONALD**  
Commissioner

  
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**ROWENA E. PEREZ**  
Commissioner

  
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**MICHAEL A. PANGELINAN**  
Commissioner

  
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**PETER MONTINOLA**  
Commissioner

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**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF:** ) **GPA DOCKET 13-12**  
**THE APPLICATION OF THE GUAM** )  
**POWER AUTHORITY REQUESTING** )  
**APPROVAL OF SMART METER OPT** ) **ORDER**  
**OUT PROGRAM** )  
\_\_\_\_\_ )

**INTRODUCTION**

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] for Approval of its Smart Meter Opt Out Program.<sup>1</sup>

**BACKGROUND**

2. The Smart Grid Project has been before the Commission on numerous occasions. Previously, PUC authorized GPA to issue revenue bonds, which include 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.<sup>2</sup>
3. On December 19, 2011, the PUC approved GPA's intent to proceed with six major contracts for different aspects of the Smart Grid Project. GPA was authorized to deploy and implement smart meters for all ratepayers in Guam and to obligate funds up to the full amount of \$17M.<sup>3</sup> A matching grant was provided by the U.S. Department of Energy.<sup>4</sup>
4. Over the last two years the PUC has supported numerous aspects of the Smart Grid Project and has authorized GPA to fully implement such project. Most recently, on July 30, 2013, the PUC approved GPA's request for additional contract services by Black & Veatch, which company is its Program Management Office for the Smart Grid Project.<sup>5</sup>
5. In the process of implementing Smart Meters, GPA learned that there are certain customers who have objected to placement of Smart Meters on their properties.

<sup>1</sup> GPA Petition for Approval of Smart Meter Opt Out Program, GPA Docket 13-12, filed August 12, 2013.

<sup>2</sup> PUC Order, GPA Docket 10-01, issued July 27, 2010, at p. 2.

<sup>3</sup> PUC Order, GPA Docket 11-13, issued December 19, 2011, at p. 2.

<sup>4</sup> Id.

<sup>5</sup> PUC Order, GPA Docket 11-13, issued July 30, 2013.



Issues have been raised by certain customers, both at public meetings conducted by GPA as well as at PUC Meetings, concerning health, safety, and privacy concerns involving the smart meters. GPA indicates that it has not found any scientific evidence that links smart meters to health hazards.<sup>6</sup>

6. GPA is also convinced that the installation of smart meters will not infringe upon customer privacy concerns or imperil data security.<sup>7</sup> However, GPA does believe that the installation of the meters will bring a number of benefits to GPA and customers:
    - (1) Allowing GPA to read meters without a full meter reading staff and allowing for disconnection/reconnection of residential customers without sending a manned vehicle to each location throughout the island;
    - (2) Allowance for reduction of GPA staffing requirements;
    - (3) Improvement of the ability of GPA, through the increased data available from smart meters, to conduct planning studies and cost of service studies;
    - (4) The ability of smart meters to send signals to GPA if there is any meter tampering;
    - (5) The reduction of the amount of power that is lost due to theft; and
    - (6) Because smart meters are installed on GPA's feeder lines, the ability of GPA to identify lines where line losses are outside of acceptable thresholds. Reduction in line losses has a positive benefit to ratepayers because it means that less power would need to be generated and therefore less fuel burned to meet the same load requirements.<sup>8</sup>
  7. While recognizing the benefits from the installation of smart meters, GPA still has determined that a Smart Meter Opt Out Program is necessary to accommodate those residential customers who have concerns regarding the installation of a smart meter on their premises.<sup>9</sup>
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<sup>6</sup> Letter from General Manager Flores to ALJ Horecky dated August 12, 2013, GPA Docket 13-12, at p. 2.

<sup>7</sup> Id.

<sup>8</sup> Id. at pgs. 1-2.

<sup>9</sup> GPA Petition for Approval of Smart Meter Opt Out Program, GPA Docket 13-12, filed August 12, 2013 at p. 1.



**GPA'S PROPOSED SMART METER OPT OUT PROGRAM**

8. For those customers who do not desire a smart meter on their premises, GPA proposes that the RF transmitter can be turned off from the current GPA smart meter; this will eliminate any use of radio frequency by GPA on the customer premises. GPA will have to purchase new handheld reading devices to allow for the upload of meter information.<sup>10</sup>
9. GPA recommends a one-time Opt Out Program Fee of approximately \$235 and a monthly manual meter reading fee of approximately \$20 for residential participants in the program.<sup>11</sup>
10. Only residential opt out fees will be provided for; each customer will be provided with a smart meter with the internal RF transmitter turned off, and will be required to provide proof of ownership.<sup>12</sup>
11. The Guam Consolidated Commission on Utilities, in Resolution No. 2013-09, authorized the management of GPA to implement an Opt Out policy to accommodate customers who do not wish to participate in the Authority's Smart Grid Metering Project.<sup>13</sup>
12. The CCU and GPA recommend a twelve (12) month trial period for implementation of the program to better determine participation and related deployment costs.<sup>14</sup> The CCU also authorized the General Manager of GPA to petition the PUC for implementation of the proposed fee.<sup>15</sup>
13. On August 23, 2013, PUC Consultant Lummus submitted its report on the pricing aspect of the GPA Smart Meter Opt Out Policy and found GPA's proposed opt out charges to be reasonable.<sup>16</sup>

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<sup>10</sup> Id. at p. 1.

<sup>11</sup> Id.

<sup>12</sup> Id. at p. 1-2.

<sup>13</sup> CCU Resolution No. 2013-09, Authorizing the Management of the Guam Power Authority to Implement an Opt Out Policy to Accommodate Customers who do not wish to Participate in the Authority's Smart Grid Metering Project, adopted March 12, 2013.

<sup>14</sup> Id. at p. 3.

<sup>15</sup> Id. at p. 4.

<sup>16</sup> Lummus Consultants Report on GPA Opt Out Policy, GPA Docket 13-12, filed August 23, 2013.



### **DETERMINATIONS**

14. GPA's conclusion that there should be an Opt Out Policy is reasonable: ratepayers who do not desire to utilize such smart meters should not be compelled to do so.
15. However, for GPA's Smart Meter Program to be fully successful, to realize the projected savings, ratepayers should be encouraged to participate in the program. Those ratepayers who do opt out should be required to pay the actual costs incurred by GPA for the program.
16. GPA's proposal of turning off the RF on the smart meters of those who opt out is reasonable and prudent. Allowing existing customers who opt out to utilize analog meters would be problematic. GPA has established that it is increasingly difficult for it to find vendors to provide replacement meters and replacement parts. Also, turning off the RF transmitters allows customers who opt out not to have radio frequency signals emanated from or to their properties.
17. Based upon the recommendations of PUC Consultant Lummus and GPA, and further examination and discussion by the PUC, PUC finds that a one-time Opt Out Program Fee of \$\_\_\_\_\_ and a monthly manual meter reading fee of \$\_\_\_\_\_ are reasonable, prudent, and necessary. In accordance with generally accepted ratemaking principles, costs incurred by GPA as a result of the Opt Out Program should be assigned to those customers who opt out.
18. Ratepayers who participate in the Smart Meter Program should not be burdened with costs caused by those who opt out.

### **ORDERING PROVISIONS**

After review of the record herein, GPA's Petition for Approval of the Smart Meter Opt Out Program, and the Lummus Consultants Report, for good cause shown, the Guam Public Utilities Commission **HEREBY ORDERS** that:

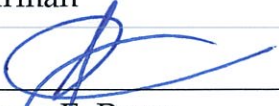
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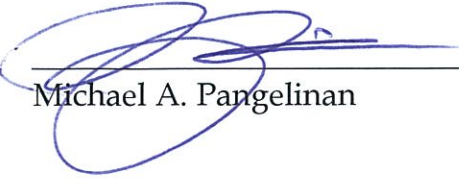
1. GPA's Petition for Approval of the Smart Meter Opt Out Program is hereby granted.


2. For those customers who have concerns regarding the installation of a smart meter on their premises, GPA's proposal to eliminate any use of Radio Frequency by GPA on the customer premises is reasonable and is approved.
3. GPA has demonstrated that customers who do opt out of the Smart Meter installation cause certain costs and expenses to be incurred by GPA. GPA is authorized to charge customers a one-time Opt Out Program fee of \$\_\_\_\_\_ and a monthly manual meter reading fee of \$\_\_\_\_\_ for residential participants in the program. Such fees are determined to be just and reasonable.
4. A twelve (12) month trial period for this Opt Out Program is hereby established so that the numbers of participants and related deployment costs can be better determined.
5. On or before August 27, 2014, GPA shall submit a report to the PUC fully detailing the number of customers who have participated in the Opt Out Program and the expenses/costs incurred by GPA as a result of the program. The Report shall contain an evaluation of the Program, and a recommendation by GPA as to whether the Program should be continued, and, if so, whether modifications to the Program should be made.
6. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of 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.

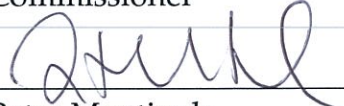
Dated this 27<sup>th</sup> day of August, 2013.

  
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Jeffrey C. Johnson  
Chairman

  
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Rowena E. Perez  
Commissioner

  
\_\_\_\_\_  
Michael A. Pangelinan

  
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Joseph M. McDonald  
Commissioner

  
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Peter Montinola  
Commissioner



Order  
GPA for Approval of Smart  
Meter Opt Out Program  
GPA Docket 13-12  
August 22, 2013

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Commissioner



**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF:  
EXTENSION OF DEADLINE FOR  
FILING OF ETC REPORTS AND USE  
[USAC] CERTIFICATIONS**

**GENERAL ORDER NO. 13-03**

This matter comes before the Guam Public Utilities Commission ["PUC"] upon certain correspondence from telecommunications carriers within Guam concerning the filing of Eligible Telecommunications Carrier ["ETC"] Reports and the annual certifications issued by the PUC for the use of federal universal support funds.<sup>1</sup>

In addition, the Commission has reviewed Administrative Law Judge ["ALJ"] General Order 13-02.<sup>2</sup> In said General Order, the ALJ noted that Eligible Telecommunication Carriers on Guam have been required to submit their annual ETC reports and documentation to the PUC by August 31 of each year. However, a recent ORDER issued by the FCC in WC Docket 10-90 alters the applicable deadlines and procedures for filing of ETC reports/documentation and deadlines for certifications by state and territorial public utilities commissions concerning the annual use [USAC] certifications.<sup>3</sup>

The ALJ Order indicated that the Guam PUC would adopt certain new deadlines established by the FCC Order, including waiver of the October 1 deadline for filing of use certifications and for establishment of a new deadline for the submission of annual ETC reports.<sup>4</sup>

Subsequently, on August 6, 2013, the Federal Communications Commission issued PUBLIC NOTICE in WC Docket No. 10-90 and 11-42. There, the FCC adopted an

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<sup>1</sup> Email from Sean Miles, Senior Manager, Carrier Relations, NTT Docomo Pacific, to ALJ Frederick J. Horecky, dated June 29, 2013, concerning Eligible Telecommunications Carrier annual use certification; Email from Gemma Santos, Regulatory Analyst, Finance/Accounting, PTI Pacifica Inc. to PUC Administrator Lou Palomo, dated August 8, 2013; see also Federal Communications Commission Order, In the Matter of Connect America Fund, WC Docket 10-90, issued June 10, 2013 indicating the waiver of deadlines for certain filings for Eligible Telecommunications Carriers and the October 1 deadline for the issuance of annual USAC Certifications by the PUC.

<sup>2</sup> ALJ General Order 13-02, issued July 9, 2013

<sup>3</sup> Federal Communications Commission Order, In the Matter of Connect America Fund, WC Docket 10-90, issued June 10, 2013.

<sup>4</sup> ALJ General Order 13-02, issued July 9, 2013.




October 15, 2013 deadline for the filing of ETC Reports and Documentation. In addition, state and territorial PUCs such as the Guam PUC, are required to file their annual ETC Certifications with the FCC and USAC by December 16, 2013.<sup>5</sup>

### **ORDERING PROVISIONS**

After review of the record herein, the FCC Order issued in WC Docket No. 10-90, on June 10, 2013, and ALJ General Order No. 13-03, for good cause shown, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. Eligible Telecommunications Carriers on Guam shall file their annual ETC Reports and Documentation with the Guam Public Utilities Commission on or before October 15, 2013.
2. ETC filings shall comply with all rules and regulations adopted by the FCC, including new rules recently adopted.
3. In accordance with the FCC's Order, the Guam PUC will file its annual use [USAC] Certifications with the FCC and USAC by December 16, 2013.

**SO ORDERED** this 27th day of August, 2013.

  
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**JEFFREY C. JOHNSON**  
Chairman

  
\_\_\_\_\_  
**ROWENA E. PEREZ**  
Commissioner

  
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**JOSEPH M. MCDONALD**  
Commissioner

  
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**MICHAEL A. PANGELINAN**  
Commissioner

  
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**PETER MONTINOLA**  
Commissioner

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<sup>5</sup> FCC PUBLIC NOTICE, WC Docket No. 10-90 and 11-42, released August 6, 2013.