

**GUAM PUBLIC UTILITIES COMMISSION  
REGULAR MEETING  
AUGUST 28, 2014  
SUITE 202, GCIC BUILDING, HAGATNA**



**MINUTES**

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:40 p.m. on August 28, 2014, pursuant to due and lawful notice. Commissioners Johnson, Perez, McDonald, Pangelinan, Montinola, Cantoria, and Niven 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 31, 2014. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the minutes subject to correction.

**2. Pacific Data Systems, Inc.**

The Chairman announced that the next order of business was PDS Docket 14-01, Petition for Arbitration of Interconnection Agreement, ALJ Report, and Proposed Order. Counsel indicated that the Commissioners had previously reviewed interconnection agreements between GTA and competitive local exchange carriers, including PDS, on a number of occasions dating back to 2006. In this matter, PDS requested that GTA enter into a new interconnection agreement in April of this year. Issues could not be resolved, including pricing elements and others. PDS requested that the PUC provide arbitration of the dispute. Under federal law, PUC reviews interconnection agreements and is required to approve the terms and conditions thereof.

The ALJ met with the parties during a number of conferences. The parties were successful in narrowing the scope of the issues presented. They have agreed to an interconnection agreement, which was signed on August 11, 2014 and filed herein. While certain issues were successfully negotiated, there are still a number of issues that remain open.

The parties agreed that the attachment to the Interconnection Agreement concerning poles, ducts, conduits, and rights of way will be negotiated in a separate agreement apart from the interconnection agreement. The methodology for resolving PDR Issues was agreed upon. Arrangements were also made by the parties concerning "colocation" - the right of access that PDS has to GTA central office and remote facilities. In such facilities, PDS has the right to place its own facilities to conduct its business. The parties agreed that, under federal regulation, PDS is entitled to unescorted, unassisted access to GTA's central office facilities whenever it feels it needs



to access such facilities. While some remaining issues remain concerning the placement of security cameras in the central office and other facilities, and what security measures GTA can take, the general rule is that GTA cannot impose any more stringent requirements on PDS than it would impose on its own employees and contractors.

The parties entered a side letter agreement that they would work together to resolve the issue of what security measures would be implemented. Such measures must be reasonable and the least restrictive. Measures will be implemented in an order according to the facilities that PDS selects. The parties are still resolving the issue of what cost each will bear for the security measures.

The parties agreed to retain the same definitions in their agreement for "end office" and "tandem switch" that were in their prior agreement. The parties also agreed that for "good faith performance" or "good faith response time" under the agreement, generally there would be a time period of 60 days.

Under federal law, the PUC must find that the interconnection agreement does not discriminate against telecommunications carriers not a party to such agreement. Counsel indicated that he does not find anything in the interconnection agreement that discriminates against parties who are not parties to the interconnection agreement. Other telecom parties have used the PDS-GTA interconnection agreements as a "model".

However, there must be a "Phase 2" of these proceedings for the parties to either negotiate or arbitrate certain other issues. The most pressing issue is "pricing" for the rates referred to as "unbundled network elements." There are twelve such services ["UNE services"] for which specific rates must be agreed upon by the parties. Exhibit 3 to the proposed Order sets forth different rates which must be negotiated and the proposals of the parties. Primarily the rates are for unbundled loops. The parties are far apart upon pricing for these rates. For the time being, the current pricing rates utilized in the prior interconnection agreement will remain in effect. However, these pricing elements will be addressed in more detail in Phase 2 of these proceedings. There must also be a "total incremental long-term cost study", a TELRIC study. This is a standard type of study in the telecom industry to determine rates. The study will be undertaken by GTA. The parties will negotiate the terms and conditions of the study, who pays for it, and what cost apportionment there may be.

GTA will employ its consultant for the TELRIC study; PUC will be assisted by its consultants, Slater-Nakamura (Slater-Nakamura did assist PUC in Phase 1 of these proceedings). After the TELRIC study is completed, the parties would ultimately agree to permanent rates. For the time being, the PUC would approve interim rates, which are the rates in effect under the prior agreement. After permanent rates are developed by the parties and approved by the PUC, there would be a true-up proceeding to determine what the parties owe.



Under the proposed Order, the Commission would approve the interconnection agreement, within 30 days of its submission, as required under federal law. The proposed Order instructs the parties to carry out their agreements and obligations in the interconnection agreement in accordance with the determinations in the Ordering Provisions. Interim Rates would be approved as set forth in Exhibit 3 Unbundled Network Element Rates. The Administrative Law Judge would further be authorized to conduct necessary proceedings in Phase 2.

Chairman then gave the parties an opportunity for comments. John Day of PDS thanked the Commission for its work. He pointed out that this was the third ICA between PDS and GTA. This highlights the important work the Commission does to ensure competition in telecommunications on Guam. Competition continues to thrive and to grow on Guam through this deregulated environment. He appreciates the good work that the Commission does to help make that happen.

Serge Quenga, Legal Counsel to GTA, echoed the sentiments of PDS. The parties have worked together cooperatively in order to get the ICA agreed to and submitted to the PUC for its consideration. The parties have worked hard, and they have many outstanding matters to work on. The TELRIC study constitutes an obstacle, but the parties are willing to discuss the possibility of even circumventing the TELRIC study and agreeing to prices that are acceptable to both parties. He thanked the Commission and the ALJ for their hard work in considering the ICA. Other CLECs [Competitive Local Exchange Carriers] adopt the ICA that PDS and GTA worked on. PDS and GTA do the groundwork, and the other CLECs benefit from it.

Commissioner Pangelinan asked how the parties documented or memorialized issues that need to be handled in Phase 2. He wondered whether that was built into the ICA or whether there was a separate MOU to discuss that. Counsel indicated there were a number of scheduling orders in Phase 1 that documented progress made on issues, and what issues were still outstanding.

Commissioner Perez commented that it will be interesting to view the end result, the agreed upon proposed rates, to see where the parties come together and agree. Commissioner Montinola indicated that it would be "somewhere in the middle", and Commissioner Perez concurred. PDS suggested that it would be "somewhere in the lower-range". Upon motion duly made, seconded and unanimously carried, the Commissioners approved the ICA between GTA and PDS, adopted interim rates, and adopted the Order made *Attachment "B"* hereto.

### **3. Port Authority of Guam**

The Chairman announced that the next item of business was PAG Docket 12-02, Transshipment Study. Counsel indicated that he had recently spoken with ALJ Alcantara. At the last meeting, the Commissioners had deferred action on requiring a market study or analysis by PAG concerning transshipment costs involving other ports. A question raised by the Commissioners was the cost for such a study. According to



ALJ Alcantara, PUC Consultant Slater-Nakamura had estimated that the cost would be \$30,000. No documentation has been presented.

The Port, on the other hand, indicated that it would be difficult to come up with the figure for the cost for a market analysis. The Port made a new proposal in its letter dated August 27. It proposes to include the issue of transshipment rates in its five year tariff petition instead of dealing with the issue now. Its petition will be filed by the end of October. The Port will accomplish various matters in its petition, including: modify the financial model as it relates to transshipment, analyze historical volumes, organic growth volumes, mid-range military build-up volumes, and volumes of zero, consistent of what is proposed by the Port. The Port will reanalyze the total costs and expense of handling transshipment boxes. Updated 2013 throughput data will be utilized. The Port will also revise some of its calculations about the total cost of handling containers.

The Port will then have a better idea of what the transshipment costs really are. The ALJ finds PAG's proposal to be reasonable; it is preferable to defer action at the present time to give PAG a chance to reexamine the issue. No further action is required at present by the Commission.

#### **4. Guam Power Authority**

The Chairman stated that the next item of business was GPA Docket <sup>3</sup>14-08, Application for Rate Design Alternative, PUC Counsel Report, and Proposed Order. Counsel stated that rate design alternatives and revenue decoupling referred to the same matter. It refers to a method for ensuring that GPA has sufficient revenues to meet its costs and obligations. In prior rate cases in 2012 and 2014, the Commission had actually ordered that revenue decoupling be examined further, and that GPA and the PUC should work cooperatively on the subject.

The purpose of revenue decoupling would be to stabilize revenue collections and protect against loss of revenue due to deployment of energy efficiency and conservation measures by customers, and to offset potential competition from alternative providers of energy sources in self-generation options.

Revenue decoupling should not increase the amount of rates that ratepayers pay. It changes variable rates based on per kilowatt-hour charges to more of a fixed cost to ensure that GPA has sufficient funds regardless of efficiency measures that customers implement, to ensure the appropriate level of revenue. GPA has lost sales for two out of the last three years at 3%. GPA previously did a revenue decoupling study as part of its 2014 base rate filing by Mr. Joseph Trainor from Black & Veatch. The PUC has already established a docket for this matter.

GPA wishes to proceed with proposals for revenue decoupling or rate design alternative. A separate docket is more conducive for considering this matter than during a rate case. GPA has the burden of proof, so it and its consultant should recommend appropriate revenue decoupling proposals. There is also a connection between revenue decoupling and the demand side management programs. The



Proposed Order would approve GPA's petition to present rate design alternatives to the Commission. The Administrative Law Judge would be authorized to conduct further proceedings for the review and consideration of those alternatives. There will be no final revenue decoupling or rate design program until this Commission approves it. Anything examined in the hearing process will be brought back to the Commission for final review.

Commissioner Perez asked whether the 3% loss by GPA was for the last two years. GPA CFO Randy Wiegand indicated that the loss for this year was about four and a half million dollars. He indicated that in 2013 there was a small gain by GPA amounting to hundreds of thousands of dollars. The Chairman indicated that this proposal by GPA was to "get the ball rolling" on the issue of revenue decoupling. Upon motion duly made, seconded and unanimously carried, the Commissioners approved GPA's Petition to bring proposals concerning rate design alternatives to the PUC and adopted the Order made *Attachment "C"* hereto.

The Chairman indicated that the next item for consideration was GPA Docket 14-10, GPA's Petition for Approval of Solar PV IFB for Guam Community College, Lummus Report, ALJ Report, and Proposed Order. Counsel indicated that ALJ Alcantara had done the work on this matter. GPA had a request from GCC to assist GCC in implementing a solar rooftop program from 1 to 3 megawatts. GCC felt that, since it is not in the power business, it could use the assistance of GPA for issuance of bids and procurement. GPA has expertise in this area, as shown by the Phase 1 and Phase 2 solar projects.

GPA and GCC intend to enter into a MOU. GPA will bid for private power producers on behalf of GCC. Private power producer would provide the work up front to install the solar system at GCC, to put the panels on the roof, and to maintain it. The system would be at the expense of the private contractor and GPA/GCC would not be paying up front. GPA is limited by law to what it can pay per kilowatt hour of solar power, based upon a statutory formula involving avoided costs for the Cabras units, Tanguisan and the old Piti power plant. The solar power producer contract with NRG, GPA pays roughly 19 cents per kilowatt hour starting out.

GPA will likely seek a lower price on this project for GCC. GPA will pay a per kilowatt amount to the power producer who produces the power for GCC. GCC would still pay the present power rate per kilowatt hour; however, GPA would give GCC some type of rebate or credit. The amounts are not yet clear, and there is some uncertainty. The ALJ and Lummus recommended that GPA be allowed to go out to bid and to see what type of proposals it could get from the private sector. The issue is what amount would be given back to GCC.

Lummus Consultants has done an interesting study about green credits in the US. It indicates that additional discussion needs to be undertaken with GPA to determine how such credits will function in the Guam market. There are two separate Orders for consideration by the Commissioners. The first would approve the Request for



Proposals and would authorize GPA to proceed ahead with the bids. The final contract would be subject to Commission review. Before a final contract is approved, the PUC would need to know the arrangement between GCC and GPA concerning "green credits" or rebate to GCC. There may be some portion that GPA keeps for doing its administrative work for GCC in this matter. GPA has requested that this credit be funded out of LEAC. However, more information will be needed as to exactly what is funded, what portion goes to each party.

The second Order concerns "green credits." It would establish an ongoing process between GPA and Lummus. Specifics would be provided about such credits, how they would function, and whether they would be just for GCC or for everyone. These credits could also apply to renewable projects other than solar. The Ordering Provisions on the second Order would require a further submission by GPA within sixty days, evaluating the green credit program. There would then be an implementation plan within 120 days and further reporting requirements.

General Manager of GPA, Joaquin Flores, indicated that he was not expecting an entire report on the green energy credits. The idea of the Petition is that GPA was approached by its President to try to reduce their overall electricity rate cost. GPA would compensate GCC for the use of their premises for the production of solar energy. GPA would meter production of solar energy on premise consumption from the grid to put together a combined billing that would still recover sales. But a portion of it that comes from the solar facility would be a discounted rate to GCC.

To make sense, the overall price for electricity must be less for GCC. GPA is attempting to maintain sales on GCC and go after the fuel portions of the GCC bill to try to reduce its overall cost and stay with some kind of discount. For Green energy credits, Mr. Flores would need to study that and determine how it could be administered. That would be a big challenge because there are very strict rules regarding RECs.

CFO Wiegand indicated that green energy credits were not GPA's intent. It was rebates that it was looking at, simply to reimburse GCC for the use of their property. GPA wanted the whole island to benefit from the reduction in the cost of solar energy. GM Flores indicated that GPA could not build energy facilities like the 158-acre solar farm all over the island. That would eventually hit a limit. To deal with this program, starting off with GCC, was to see how customer premises properties could be used for the development of solar renewable programs. Land is the limit --- it limits GPA's ability to penetrate higher levels of solar.

Mr. Flores indicated that, without customer, utility and the industry getting involved together, GPA wouldn't be able to continue solar development further. There is a limit, so expanding square footage with customer premises' building roofs or on landscapes allows another avenue to help beat the RPS standards. GPA has not visualized the RECs. GPA wants to keep it simple. The investment tax credits are expiring in 2016, so that window is shrinking. If this template works, it is a good one, a good model. GPA would then proceed to the next customer who has a lot of property or rooftops or



parking lots to continue and try to get the benefit of the investment tax credits before they expire. Without the credit, GPA would not be able to probably purchase power from solar because it might exceed what it will cost without those subsidies. That's the idea --- it's a timing issue.

Commissioner Montinola asked whether the project was not just to supply solar to GCC, but also to pump it back into the grid to resell solar and provide green energy. Mr. Flores indicated everyone could benefit. If the GCC premises could be used to export power, everybody would benefit through the reduction of LEAC. Commissioner Montinola asked whether GPA could then use it as a working model to proceed to other sites. Mr. Flores indicated that such was correct. Commissioner Montinola asked whether the goal was to eventually close down some of the plants and to use more solar or whether the plants would be maintained.

GM Flores indicated that the goal is to promote renewables as an industry and provide a hedge against fuel prices because it is just like the energy solar farm. 40,000 megawatt hours of energy that comes from the sun, fuel does not have to be burned. It's cleaner, and there is a tax incentive benefit that is expiring which everyone wants to take advantage of. GPA is attempting to promote solar to the extent possible. When the tax credit expires it will be very difficult for solar to be competitive. This is especially true when Tanguisan power plant and Cabras No. 1 and 2 power plants are retired; GPA's costs will then get lower and lower, and it will be difficult to meet them without a subsidy.

Commissioner Cantoria asked GPA what the cost for this program would be. CFO Wiegand indicated that GPA doesn't presently know. Some local people had given unacceptably high rates. GPA is hoping that a big player from off island would be able to come in and give GPA a better price perhaps in the area of 13 cents per kwh. Local suppliers indicate that's not possible, but GPA is hoping that the bid will bring in a very good quote. The Chairman asked what other preliminary pricing on island vendors looks like. GM Flores indicated that the local price quotes were way above LEAC. With larger consortium developers you could get cheaper financing. NRG went through Mizuno Bank at very low interest rates. The sort of horse power that a consortium like NRG negotiate with big banks to lower the interest cost per kilowatt hour.

Small entities on island don't have the ability to do that. The Chairman indicated that the advantage on the savings to GCC would not be like net metering, i.e. dollar for dollar; GPA would just be looking at the fuel component of about 70%. CFO Wiegand indicated that was not correct. Everything coming off the solar panels would be metered. Everything coming through the grid would be metered. GPA would know how much GCC is using, and it would get billed at a GPA rate, the normal GPA rate. The credit would depend on how much solar energy GCC can provide to GPA.

GPA is hoping it will take the LEAC, the cost that GPA has to pay to the solar energy provider and basically split the difference so that the green rate will be what GPA would give to GCC and the other half would go to the grid. So, the more solar energy that can be created the better off GCC is going to be. GM Flores indicated that GPA



would not be capped like net metering is at 100kw because this is really a GPA project, not a customer project. GPA would naturally look at an optimum size to serve the customer's needs as well as porting out solar energy to everybody else to lower the LEAC.

Commissioner Montinola asked that since it was GPA's resale value, did it have to cover its distribution. GM Flores indicated that GPA did. The trick is to get the proposal to fit within the standing statute. Commissioner Montinola asked whether there was a current business model in place similar to what GPA is trying to accomplish. GM Flores indicated that a couple of firms in Hawaii are trying to do a solar city, like a franchise model. CFO Wiegand indicated that the idea came from Duke Energy. Commissioner Montinola asked whether GPA got the thirteen cent price from. GM Flores indicated that the proposal was quoted to GPA a year and a half ago. CFO Wiegand indicated that someone in the states indicated they can provide solar for 7 cents per kwh. GM Flores indicated it was Austin, the city of Austin, which is getting solar at 5 cents a kwh. GM Flores believes that price is significantly subsidized by local and federal tax.

Commissioner Cantoria asked whether GPA would plan on having a feasibility study. Then we would know what others have experienced, number of panels, the cost, the productivity of the panels etc. could be computed through the experience of other people and organizations. She is disturbed that we don't know what it will cost and it then will be put into LEAC. That's scary.

CFO Wiegand indicated that everything will come back to the PUC before the plan is carried out. GPA wants to put out a bid to see what prices it would get and if it could attract someone to give a rate that would make this proposal work. The cost of solar panels has been coming down rapidly in recent years. If GPA attempts to do a study, the study will be outdated. The best thing for GPA to do is to go out to bid, obtain a hard price to find out what a business is willing to commit to.

GM Flores indicated that GPA was not financing this, and would not be operating it. GPA will pay for the energy. A private entity will be on the hook for the debt in constructing the facility, not GPA or GCC. GM Flores indicated that the ultimate feasibility metric would be if the prices come down, and are offered to GPA at below market price. The cost will be determined once the market submits its proposals. The Chairman asked that if there were no bids that met the avoided cost standard, then the proposal would not go forward. GM Flores indicated that was correct. GM Flores indicated GPA would have to disclose its cost in the bid.

Commissioner Montinola indicated that the company would spend its millions to construct the plant and then just recover their return on interest in thirty years. The Chairman asked that the first Order on the Invitation for Bids be handled first. For the record, Commissioner Rowena Perez indicated that she was recusing herself on the vote, as she is employed by GCC. Upon motion duly made, seconded and unanimously



carried, the Commissioners authorized GPA to issue the IFB for the provision of solar energy to GCC, and adopted the Order made *Attachment "D"* hereto.

The Chairman then asked for a vote on the second Order on research into green credits. Upon motion duly made, seconded and unanimously carried, the Commissioners authorized a further review of the green credits program and adopted the Order made *Attachment "E"* hereto.

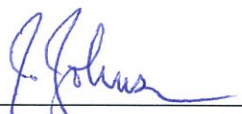
## **5. Administrative Matters**

The Chairman and Administrator Palomo indicated that the PUC offices had been newly painted and carpeted.

Counsel indicated that a report had been submitted to the Commissioners for information purposes on "time of use rates." The Chairman had previously requested this report. Lummus has now submitted such report. The report will likely be referred to GPA for review and comment. The Chairman indicated there is a possibility that rates could be priced different according to day, the rates during the high peak hours of the early evening could be higher in order to flatten the curve on the demand eventually. The rates at low peak times could be lower in order to encourage more usage. Commissioner Montinola indicated this would be for peak and off-peak rates. The Chairman indicated that this could also save on having to build new power plants. Commissioners concurred that this might work in our price sensitive environment.

The Chairman and the Commissioners still indicated that the Commission needs to proceed with Notebooks or Ipads. Bids should be obtained from different offerors. The Chairman asked the Administrator Ms. Palomo to call two or three different vendors then bids could be obtained for proceeding with Ipads. Commissioner Montinola suggested that software and training be added.

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  
6:30 p.m., August 28, 2014**

**Agenda**

- 1. Approval of Minutes of July 31, 2014**
- 2. Pacific Data Systems, Inc.**
  - **PDS Docket 14-01, Petition for Arbitration of Interconnection Agreement, ALJ Report, and Proposed Order Approving Interconnection Agreement**
- 3. Port Authority**
  - **PAG Docket 12-02, Transshipment Study, Report on the Transshipment Investigation by Slater Nakamura, ALJ Report, and Proposed Order**
- 4. Guam Power Authority**
  - **GPA Docket 13-08, GPA's Application for a Rate Design Alternative, PUC Counsel Report, and Proposed Order**
  - **GPA Docket 14-10, GPA's Petition for Approval of Solar PV IFB for Guam Community College, Report by Lummus Consultants, ALJ Report, Proposed Order**
- 5. Administrative Matters**
- 6. Other Business**



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

) PDS DOCKET 14-01

)  
)  
) PACIFIC DATA SYSTEM INC.'S  
) PETITION FOR ARBRITRATION OF  
) INTERCONNECTION AGREEMENT  
)  
)

) **ORDER APPROVING**  
) **INTERCONNECTION AGREEMENT**

**INTRODUCTION**

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Pacific Data Systems ["PDS"] Petition for Compulsory Arbitration of the PDS-GTA Interconnection Agreement.<sup>1</sup>

**PROCEDURAL HISTORY**

2. On November 13, 2013, PDS submitted a request to Teleguam Holdings, LLC ["GTA"] to negotiate a new interconnection agreement and to determine the terms and conditions of such agreement.<sup>2</sup>
3. In its April 22, 2014 Petition, PDS requested that the PUC provide Arbitration of outstanding issues between PDS and GTA in order to arrive at an Interconnection Agreement [""ICA"].<sup>3</sup>
4. Between May 2, 2014 and July 30, 2014, the Parties met with the Administrative Law Judge ["ALJ"] of the PUC. A Sixty day time frame was established by the ALJ for the arbitration of issues related to the ICA between PDS and GTA. The Parties were instructed to undertake good faith negotiations.<sup>4</sup>
5. As a result of their negotiations, the Parties were able to resolve many of the open issues concerning the Interconnection Agreement. The Parties signed and executed their Interconnection Agreement by the statutory deadline of August 11, 2014. The ICA was filed with the PUC on August 11, 2014.

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<sup>1</sup> PDS Petition for Compulsory Arbitration of PDS-GTA Interconnection Agreement, PDS Docket 14-01, filed April 22, 2014.

<sup>2</sup> See Exhibit "A" to Petition for Compulsory Arbitration of PDS-GTA Interconnection Agreement, PDS Docket 14-01, filed April 22, 2014.

<sup>3</sup> Petition, Id.

<sup>4</sup> Preliminary Scheduling Order, PDS Docket 14-01, dated May 6, 2014.



6. On August 19, 2014, the ALJ submitted his Report concerning the status of the Parties' negotiations on the ICA.<sup>5</sup> The Commission hereby adopts the findings and the recommendations of the ALJ as set forth in his Report.
7. The PUC is statutorily empowered to arbitrate open issues under an interconnection agreement pursuant to federal regulation, 47 USC §252, Procedures for Negotiation, Arbitration, and Approval of Agreements.<sup>6</sup> Any Interconnection Agreement adopted by negotiation or arbitration must be submitted for approval to the PUC.<sup>7</sup>

### **DETERMINATIONS**

#### **CERTAIN ISSUES HAVE BEEN NEGOTIATED, WHILE OTHERS REMAIN OPEN**

8. An Attachment to the proposed Interconnection Agreement ["ICA"] was "Access to Poles, Ducts, Conduits, and Rights of Way Attachment" (herein after "PDR"). This attachment governs the terms and conditions of PDS' access to poles, ducts, conduits, and rights of way.<sup>8</sup>
9. Due to the tight timelines for negotiation of the ICA, the PDR Attachment will not be negotiated in this current phase of the negotiation process. Instead of negotiating the PDR as an attachment to the ICA, a separate, standalone agreement governing PDR will be negotiated by the Parties apart from the ICA.<sup>9</sup>
10. The Parties will meet, in good faith, to negotiate and complete a PDR Agreement within six months from August 4, 2014. The PDR Agreement shall be submitted to the PUC for final approval.<sup>10</sup>
11. Another issue upon which the parties have made substantial progress in negotiating an agreement is "Collocation", which involves PDS' access to its collocation arrangements within GTA Central and Remote Office Facilities. The

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<sup>5</sup> ALJ Report, PDS Docket 14-01, Petition for Arbitration of Interconnection Agreement, dated August 19, 2014.

<sup>6</sup> 47 USC §252(b).

<sup>7</sup> 47 USC §252(e)(1).

<sup>8</sup> PDR Attachment, See 1.1.2.

<sup>9</sup> SCHEDULING ORDER, PDS Docket 14-01, issued June 9, 2014, at p. 1.

<sup>10</sup> Id.; See also Letter of Agreement Regarding Negotiation of a Poles, Ducts, and Rights of Way Agreement between GTA and PDS [Letter from Andrew S. Quenga, GTA Legal Counsel, to Mr. John Day, PDS, dated August 4, 2014, a true and correct copy of which is attached hereto as Exhibit "1"].



relevant language appears in the COLLOCATION ATTACHMENT at pg. 94 of the ICA. The Parties have agreed that, pursuant to 47 CFR §51.323, PDS is entitled to unscheduled, unescorted access to its collocation locations in GTA Central Offices.<sup>11</sup> Previously, PDS was only provided access to collocation sites in GTA facilities upon escort by GTA representatives.

12. GTA has determined that it desires to have security cameras at the collocation sites to monitor activities of its own employees and contractors, as well as PDS employees/representatives. The Parties agree that, pursuant to 47 CFR §51.323(i), an incumbent local exchange carrier may only impose security arrangements that are as stringent as the security arrangements that the incumbent Local Exchange Carrier [LEC] maintains at its own premises for its own employees or authorized contractors.
13. As agreed by the Parties, in accordance with 47 CFR §51.323, the parties shall negotiate shared costs for security cameras at the collocation sites based on the least expensive, effective security option necessary for the collocation space allocated to PDS.<sup>12</sup>
14. Within two weeks of August 4, 2014, GTA will provide to PDS detailed price proposals on a site-by-site basis including the number and positioning of security cameras and whether each site will allow for the sharing of cameras to cover both GTA and PDS access monitoring.<sup>13</sup> The parties will negotiate in good faith and resolve the cost issues within 30 days of the date of their Letter of Agreement. Depending on the selected vendor's ability, the parties intend to complete the installation of the security cameras within 90 days of the letter agreement.<sup>14</sup>
15. GTA will pursue installations pursuant to an installation priority schedule provided by PDS. Should the parties fail to come to an agreement on costs, the cost issue shall be submitted to the PUC for resolution through the arbitration process. Prior to final installation and activation of the security cameras, PDS shall continue to pay escort fees pursuant to the previous Interconnection Agreement.

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<sup>11</sup> SECOND SCHEDULING ORDER, PDS Docket 14-01, dated July 14, 2014; See also Letter of Agreement Regarding Collocation Access and Installation of Security Cameras in GTA Central Offices [Letter from Andrew S. Quenga, Legal Counsel, GTA, to Mr. John Day, Pacific Data Systems, dated August 4, 2014 and attached hereto as Exhibit "2"].

<sup>12</sup> Id.

<sup>13</sup> Id.

<sup>14</sup> Id.



16. The parties have resolved their disputes concerning proposed language and definitional revisions in the Interconnection Agreement. The parties have resolved their differences concerning the definition of “End Office” and “Tandem Switch” and have agreed to continue to use the definitions for those terms contained in the existing ICA.
17. Various provisions in the ICA deal with issues involving “good faith performance” by the parties and the appropriate good faith response time period for responses by GTA to PDS’ requests for pricing or new services. In general, the parties have agreed that the good faith response time used in the agreement will be 60 days.
18. The parties have successfully negotiated textual revisions to the agreement and other pending issues. PDS and GTA have agreed upon the textual language for their new Interconnection Agreement. The Agreement does not discriminate against a telecommunications carrier not a party to the Interconnection Agreement pursuant to the standards set forth in 47 USC §252[e][2][A].
19. The Agreement is consistent with the public interest, convenience and necessity. It clarifies arrangements for provision of collocation services by GTA to PDS and resolves other issues including good faith response time. In accordance with the Guam Telecommunications Act of 2004, it is in the public interest to provide the people of Guam with modern, innovative, accessible, and affordable telecommunications services and products.<sup>15</sup>
20. The Parties have conducted considerable discussions concerning the Pricing Attachment to the ICA, and particularly certain Unbundled Network Element Rates. The parties have been able to reach agreement on pricing with the exception of rates for 12 UNE services. A listing of the Unbundled Network Element Rates which will require a further study process and/or arbitration are set forth in the listing attached hereto as Exhibit “3”.<sup>16</sup>
21. PDS has stated, on the record, that there is not a present need to arbitrate the two UNEs for sub-loop [2.1.21 and 2.1.22]. Sub-loops do not exist at present and PDS will not be using them in the near future.<sup>17</sup>

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<sup>15</sup> Guam Telecommunications Act of 2004, 12 GCA §12101(2) & (3).

<sup>16</sup> Pricing Attachment, Exhibit “3”.

<sup>17</sup> Hearing on July 30, 2014, at PUC Office.



**NECESSITY FOR THE ESTABLISHMENT OF  
PHASE 2 PROCEEDINGS IN THIS DOCKET  
FOR RESOLUTION OF OPEN ISSUES**

22. There is a need to arbitrate pricing and other issues in what is referred to as "Phase 2" of these proceedings. In the proceedings conducted to date, named as "Phase 1", the parties have agreed upon acceptable language for their Interconnection Agreement and have executed the same and filled the ICA with the PUC.<sup>18</sup> However, there has been no agreement as to certain Unbundled Network Element pricing rates, and these UNE rates, as well as other open issues, must be resolved through further negotiation and arbitration in Phase 2 of these proceedings.
23. The arbitration of UNE pricing elements should be conducted in Phase 2 of these proceedings. In the Phase 1, proceedings, the parties have agreed that, for the UNEs for which new rates have not been agreed, the existing UNE pricing rates in the current ICA shall be deemed to be "interim rates." The presently agreed "interim rates" shall remain in effect until new rates are determined through a Total Element Long Run Incremental Cost Study to be conducted during Phase 2 of these proceedings. The current UNE rates shall remain in effect until new rates are determined through the TELRIC study and arbitration in Phase 2.
24. Once permanent UNE rates are determined in Phase 2 of these proceedings, there will be a "true-up" accounting to reconcile the difference between the billings issued under the Interim rates and what the billings would have been under the Permanent Rates. The reconciliation period will start from the date upon which the Interim Rates go into effect and cease at the effective date of the Permanent rates. The PUC hereby establishes pricing for the 12 UNE services. The "Interim Rates" shall be the existing UNE rates that are already in effect in the current ICA and to which the parties have previously agreed. Interim Rates shall be effective upon the approval of this Order.
25. With regard to pricing of the 12 UNE services, Phase 2 of these proceedings shall involve the determination and arbitration of the following issues:
- (a) The undertaking of a TELRIC study that complies with the requirements of 47 C.F.R. 51.505 and 51.511;

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<sup>18</sup> PDS-GTA Interconnection Agreement, filed with the PUC on August 11, 2014.



- (b) The conduct of the applicable TELRIC study by GTA, development of its rate proposals accordingly, and presentation of applicable rates to PDS and the PUC for review and approval by the PUC;
  - (c) Determination by the ALJ and the PUC of cost responsibility for the TELRIC study between GTA and PDS;
  - (d) Implementation of permanent rates for the UNE charges and the carrying out of true-up proceeding by the ALJ and the PUC.
26. At the commencement of the Phase 2 proceedings, the ALJ shall determine, upon recommendation by the parties, the appropriate timeframe for resolution of Phase 2 issues.
27. In Phase 2 proceedings, the ALJ and the PUC will also resolve outstanding issues involving collocation and the PDR Attachment [as outlined above].

#### **ORDERING PROVISIONS**

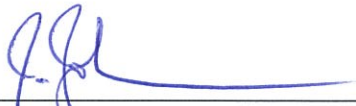
After careful review of the record herein, the proposed Interconnection Agreement of GTA and PDS, and the ALJ Report, for good cause shown, on motion duly made, seconded unanimously carried by the undersigned Commissioners, the Guam Public Utilities Commission hereby ORDERS that:


1. The Interconnection Agreement between GTA and PDS is approved pursuant to 47 USC 252[e][4].
2. The Parties are ordered to carry out their duties and obligations as set forth in the Interconnection Agreement and in the Determinations and Ordering Provisions herein.
3. The PUC hereby approves, as "Interim Rates", for those services set forth in Exhibit "3" hereto as "Unbundled Network Element Rates for Arbitration", those prices set forth in the Interconnection Agreement.
4. The Administrative Law Judge is authorized to conduct Phase 2 proceedings in this Docket, as outlined in this Order. The ALJ is authorized to undertake such proceedings as are necessary, including arbitration, to resolve any open issues in Phase 2 of these proceedings.




5. In the event that the Parties revise, modify or amend the Interconnection Agreement approved herein, the revised, modified or amended Interconnection Agreement shall be submitted to the PUC for approval pursuant to 47 USC 252(e)(1) prior to taking effect.
6. GTA and PDS are ordered and directed to each pay one-half of the PUC's regulatory expenses and fees in this Docket.

Dated this 28<sup>th</sup> day of August, 2014.

  
\_\_\_\_\_  
Jeffrey C. Johnson  
Chairman

  
\_\_\_\_\_  
Rowena E. Perez  
Commissioner

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

  
\_\_\_\_\_  
Filomena M. Cantoria  
Commissioner

  
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Joseph M. McDonald  
Commissioner

  
\_\_\_\_\_  
Peter Montinola  
Commissioner

  
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Andrew L. Niven  
Commissioner



Mr. John Day  
Pacific Data Systems  
185 Ilipog Drive  
HBC Bldg. Suite 204A  
Tamuning, Guam 96913

Subject: Letter of Agreement Regarding Negotiation of a Poles, Ducts and Rights of Way  
Agreement between GTA and PDS

Dear Mr. Day,


On November 27, 2013, PDS submitted to GTA its Request for Access to GTA Poles, Ducts, and Rights-of-Way pursuant to section 9.1 of the GTA-PDS Interconnection Agreement ("ICA"). GTA and PDS (the "Parties") subsequently exchanged draft Poles, Ducts, and Rights-of-Way ("PDR") agreements and after review of the agreements, agreed to negotiate a separate, stand-alone agreement apart from the ICA.

The Parties agree to negotiate in good faith and complete a PDR agreement within six (6) months of this letter. The parties further agree that the agreement shall be submitted to the Guam Public Utilities Commission ("PUC") for approval.

If the parties are unable to agree upon a PDR agreement by the time specified above, the parties agree to submit the issue to the PUC for arbitration.

By signing below, GTA and PDS agree to the terms herein.

Teleguam Holdings, LLC

  
8/4/14  
\_\_\_\_\_  
Andrew S. Quenga  
Legal Counsel

Pacific Data Systems

  
\_\_\_\_\_  
John Day  
President



Mr. John Day  
Pacific Data Systems  
185 Ilipog Drive  
HBC Bldg. Suite 204A  
Tamuning, Guam 96913

Subject: Letter of Agreement Regarding Collocation Access and Installation of Security Cameras  
in GTA Central Offices

Dear Mr. Day,


Pursuant to Interconnection Agreement ("ICA") negotiations between PDS and GTA, the parties have agreed to ICA terms providing PDS with the unescorted access to its collocation locations in GTA Central Offices. Pursuant to 47 CFR § 51.323, the parties have agreed to negotiate to share costs for security cameras at these locations based on the least expensive, effective security option necessary for the collocation space allocated to PDS.

Within two weeks of the date of this letter, GTA will provide to PDS detailed price proposals on a site-by-site basis including the number and positioning of security cameras and whether each site will allow for the sharing of cameras to cover both GTA and PDS access monitoring. The parties agree to negotiate in good faith and resolve the cost issues within 30 days of this letter and, depending on the selected vendor's ability, for completion of installation of the security cameras within 90 days of this letter. GTA agrees to pursue installations pursuant to an installation priority schedule provided by PDS. Should the parties fail to come to an agreement on costs, they agree to submit this issue to the Guam Public Utilities Commission for resolution.

Prior to final installation and activation of the security cameras, PDS shall continue to pay escort fees, pursuant to the previous ICA.

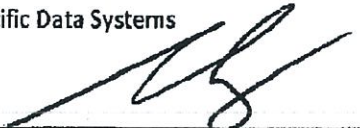
By signing below, GTA and PDS agree to the terms herein.

Teleguam Holdings, LLC

  
\_\_\_\_\_  
Andrew S. Quenga  
Legal Counsel

8/4/14

Pacific Data Systems

  
\_\_\_\_\_  
John Day  
President



## GTA - PDS New ICA

### Unbundle Network Element Rates for Arbitration

Item	Service	Existing ICA NRC	PDS Proposed NRC	GTA Proposed NRC	Existing ICA MRC	PDS Proposed MRC	GTA Proposed MRC	BILLING UNIT	ICA References
<b>2</b>	<b>UNBUNDLED NETWORK ELEMENTS</b>								
<b>2.1</b>	<b>Unbundled Loops</b>								
2.1.1	2-Wire Analog Voice Grade Loop	\$25.00	\$15.00	\$67.72	\$24.50	\$8.00	\$46.99	per loop	Network Elements 3.1.1
2.1.3	4-Wire Analog Voice Grade Loop	\$35.00	\$25.00	\$117.21	\$55.68	\$16.00	\$92.96	per loop	Network Elements 3.1.2
2.1.5	2-Wire ISDN Digital Grade Loop	\$100.00	\$15.00	\$93.20	\$30.00	\$10.00	\$24.20	per loop	Network Elements 3.1.3
2.1.6	2-Wire ADSL-Compatible Loop	\$75.00	\$15.00	\$74.42	\$30.00	\$10.00	\$46.99	per loop	Network Elements 3.1.4
2.1.7	2-Wire HDSL-Compatible Loop	\$75.00	\$15.00	\$75.92	\$30.00	\$10.00	\$50.22	per loop	Network Elements 3.1.5
2.1.8	4-Wire HDSL-Compatible Loop	\$100.00	\$25.00	\$117.21	\$52.50	\$18.00	\$53.87	per loop	Network Elements 3.1.6
2.1.10	2-Wire SDSL-Compatible Loop	\$75.00	\$15.00	\$74.42	\$30.00	\$10.00	\$21.92	per loop	Network Elements 3.1.8
2.1.14	2W Digital loop (loop length 12K to 30K)	\$85.00	\$50.00	\$86.15	\$35.00	\$12.00	\$92.96	per loop	Network Elements 3.1.14.1
2.1.15	2W Digital loop (loop length 12K to 18K)	\$100.00	\$50.00	\$75.92	\$35.00	\$12.00	\$27.27	per loop	Network Elements 3.1.14.2
2.1.16	2W Digital Loop (loop length less than 12K)	\$75.00	\$15.00	\$61.96	\$30.00	\$10.00	\$26.62	per loop	Network Elements 3.1.14.3
2.1.21	2-Wire HDSL-Compatible Sub-Loop (LT 10K feet)	new	\$15.00	\$202.11	new	\$6.00	\$14.24	per sub loop	Network Elements 6
2.1.22	4-Wire HDSL-Compatible Sub-Loop (LT 10K feet)	new	\$25.00	\$204.94	new	\$10.00	\$28.26	per sub loop	Network Elements 6



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF: ) GPA Docket 13-08  
)  
The Application of the Guam Power )  
Authority for a Rate Design Alternative. ) **ORDER**  
)  
)  
)  
\_\_\_\_\_ )

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Application of the Guam Power Authority ["GPA"] for a Rate Design Alternative.<sup>1</sup>
2. GPA filed its "Supplemental Filing" for Rate Design Alternative on June 30, 2014.<sup>2</sup>

BACKGROUND

3. In prior base rate dockets, GPA and PUC have agreed to work cooperatively to "examine the potential use of 'revenue decoupling mechanisms' to stabilize its revenue collections and protect against loss of revenue due to: (1) deployment of energy efficiency and conservation measures by customers; and (2) competition from alternative providers of energy services in self-generation options."<sup>3</sup>
4. In its FY2014 Base Rate Filing, GPA included a study on "Revenue Decoupling and Other Innovative Utility Ratemaking Approaches", which was submitted to the PUC as part of the rate case testimony of Joseph Trainor, a witness in support of GPA's rate filing.<sup>4</sup>
5. In the FY2014 GPA Base Rate Case, consideration of the Revenue Decoupling issue was deferred; the ALJ ruled that it would not be considered as part of the FY2014 Base Rate Proceedings, but would be considered later in a separate docket.<sup>5</sup>
6. PUC also created a separate docket for "Revenue Decoupling", GPA Docket 13-08.

<sup>1</sup> GPA Application for Rate Design Alternative, GPA Docket 13-08, filed June 19, 2014.

<sup>2</sup> GPA Supplemental Filing for Rate Design Alternative, GPA Docket 13-08, filed June 30, 2014.

<sup>3</sup> FY12 RATE DECISION [GPA's 2011 Multi-Year Base Rate Filing, GPA Docket 11-09, par. 32 at p. 6, dated May 7, 2012.]

<sup>4</sup> GPA's FY2014 Base Rate Filing, GPA Docket 11-09, filed April 24, 2013 [Exhibit JTT-7].

<sup>5</sup> FY13 RATE DECISION, GPA Docket 11-09, dated September 24, 2013, at par. 13, p. 3.



7. In Resolution No. 2014-23, the Guam Consolidated Commission on Utilities authorized the GPA General Manager to petition the PUC for a rate design alternative solution to the declining sales of the Authority.<sup>6</sup>
8. GPA indicates that, for two out of the last three years, GPA has experienced sales losses of greater than 3% per year; GPA believes that these sales declines are resulting from conservation and energy efficiency initiatives undertaken by GPA customers.<sup>7</sup>
9. GPA further believes that it may continue to experience losses due to a law which lifted the net-metering cap for the Department of Education, and from proposed legislation which would raise the net-metering cap for other customer classes.<sup>8</sup>
10. GPA states that the issue of rate design alternative/revenue decoupling should more appropriately be addressed in collaboration with the PUC in a separate docket and not in the context of a base rate case.
11. GPA indicates that “any change adopted by the GPUC would be done on a revenue neutral basis, which means that GPA would not increase the amount of revenues it collects from customers – only change the structures in which those revenues are collected...”.<sup>9</sup>
12. The main problem that GPA seeks to remedy with this proposed approach is the “mismatch between the rate structure through which GPA revenues are collected and the nature of the costs they are intended to cover.” At present GPA indicates that 13% of its revenues are fixed, whereas 87% are variable; however, 11% of GPA’s costs are variable, whereas 89% of its costs are fixed.<sup>10</sup>
13. PUC Counsel submitted his Report herein on August 25, 2014.

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<sup>6</sup> Guam Consolidated Commission on Utilities Resolution No. 2014-23, issued July 3, 2014.

<sup>7</sup> Id. at p. 1.

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

<sup>9</sup> Id.

<sup>10</sup> GPA Supplemental Filing for Rate Design Alternative, GPA Docket 13-08, [Letter from GPA GM Joaquin Flores to Frederick J. Horecky, ALJ, dated June 27, 2014] pgs. 3-4.

### DETERMINATIONS

14. In its FY2013 and 2014 Rate Decisions, PUC already approved the consideration of Revenue Decoupling as an appropriate matter of inquiry for a separate docket [outside of the rate case]. Furthermore, in setting up a separate docket for Revenue Decoupling, GPA Docket 13-08, the PUC has recognized that the issue of a rate design alternative/revenue decoupling is an appropriate topic for consideration by the PUC.
15. GPA has raised legitimate concerns which should be further addressed by the PUC in the context of a dedicated docket on rate design alternative/revenue decoupling. Putting such consideration in a separate docket will relieve some of the time constraints that prevented a more detailed consideration of such issues in base rate proceedings.
16. The problem of declining sales experienced by GPA is a matter of concern. PUC has the obligation under 12 GCA §12004 to ensure that GPA's rates are sufficient to fund its costs of service.
17. Recently, in GPA Docket 13-14, the PUC ordered that GPA undertake the implementation of a demand side management program.<sup>11</sup> Such programs are designed to encourage energy conservation by customers and reductions in fuel use. However, it is recognized that such programs could result in further loss of sales by GPA. Thus, revenue decoupling will also be considered by the PUC in conjunction with the implementation of a DSM program.
18. The PUC will conduct further proceedings wherein GPA may present rate design alternatives for the consideration of the PUC. These proceedings will be conducted under the guidance of the Administrative Law Judge.

### ORDERING PROVISIONS

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

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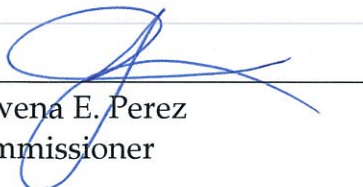
<sup>11</sup>GPA Order, GPA Docket 13-14, dated July 31, 2014.



1. GPA's Application to present Rate Design Alternative(s)/Revenue Decoupling proposals to the PUC for its review and consideration is approved.
2. The Administrative Law Judge is authorized to conduct such further proceedings as are necessary for review and consideration of rate design alternatives.
3. The ALJ should schedule such further proceedings as are necessary to fully consider such rate design alternatives.
4. The impetus, or burden, for developing such rate design/revenue decoupling proposals shall be upon the Guam Power Authority, which is the moving party in this matter. GPA has the burden of proof. GPA and its Consultants should develop specific plans/programs for proposed adoption by the PUC. Proposals submitted by GPA will be reviewed by PUC Consultants.
5. Any rate design alternatives/revenue decoupling proposals reviewed and recommended by the ALJ shall be subject to the final approval of the PUC.
6. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and 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 28th day of August, 2014.

  
\_\_\_\_\_  
Jeffrey C. Johnson  
Chairman


  
\_\_\_\_\_  
Rowena E. Perez  
Commissioner

  
\_\_\_\_\_  
Joseph M. McDonald  
Commissioner

  
\_\_\_\_\_  
Peter Montinola  
Commissioner

ORDER  
GPA Petition for a  
Rate Design Alternative  
GPA Docket 13-08  
August 28, 2014

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Michael A. Pangelinan  
Commissioner



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Filomena M. Cantoria  
Commissioner



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Andrew L. Niven  
Commissioner





**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

<b>GPA'S PETITION FOR APPROVAL</b>	)	<b>GPA DOCKET NO. 14-10</b>
<b>OF SOLAR PV IFB FOR GUAM</b>	)	
<b>COMMUNITY COLLEGE</b>	)	<b>ORDER</b>
	)	<b>RE: GCC SOLAR PV IFB</b>
	)	

This matter comes before the Guam Public Utilities Commission (the "PUC") pursuant to the June 13, 2014 Petition for Approval of Solar PV IFB for Guam Community College, filed by the Guam Power Authority ("GPA"). GPA seeks PUC approval to issue a multi-step invitation for bid ("IFB") for the procurement of a solar photovoltaic system ("PV") for the Guam Community College ("GCC").

**DETERMINATIONS**

Pursuant to 12 G.C.A. § 12004, GPA may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC's express approval. Additionally, pursuant to GPA's current Contract Review Protocol, "[a]ll professional service procurements in excess of \$1,500,000" "shall require prior PUC approval under 12 G.C.A. § 12004, which shall be obtained before the procurement process is begun . . . ." Contract Review Protocol for Guam Power Authority, Administrative Docket, p. 1 (Feb. 15, 2008).

In addition, pursuant to a Memorandum of Understanding between the PUC and GPA, filed in GPA Docket 08-06, the PUC is tasked with reviewing and approving, prior to issuance, "all RFPs used for the purpose of procuring renewable, demand-side management, and conventional power resources and services." Memorandum of Understanding, GPA Docket 08-06, p. 3 (Dec. 15, 2008).

In support of its Petition, GPA submitted its draft bid documents for the PV program. The bid documents consist of three volumes, the last volume constituting GPA's Draft Renewable Energy Purchase Agreement. Based on the bid documents, GPA submits that this particular project will serve as a pilot program, and will provide GCC with about 1-3 megawatts of electricity. The program will involve a power purchase agreement between GPA and the contractor, and will be for a term of between fifteen (15) to twenty (20) years. This program will also require a Memorandum of Understanding between GCC and GPA for the use of GCC property.

Generally, the scope of work for this contract will include the design, installation, operation and maintenance of a solar PV system. Specifically, the bid provides that the PV systems will be available for commercial operation within thirty-six (36) months from the award of the contract. IFB, vol. 1, p. 1. The PV systems will deliver energy directly to GPA's distribution system. IFB, vol. 1, p. 1. For selected contractors, GPA will execute power purchase agreements ("PPAs") for delivery of renewable energy to the GPA distribution system. IFB, vol. 2, p. 3.

"This program includes project financing, furnishing, delivering, testing, installing, operating, and maintaining, rooftop and ground-mounted solar photovoltaic systems on GCC's Properties"; and with a goal of acquiring up to "3MW of rooftop and ground-mounted solar photovoltaic projects by 2015." IFB, vol. 2, p. 3. In addition to providing roof-top or ground-mounted PV systems, the contractor is also responsible for private financing; inspection and assessment of roof and land suitability; system designs; construction; testing; interconnection; operations and maintenance; monitoring,



information exchange, and system control. IFB, vol. 2, p. 5. GPA further submits that the contractor “must undertake full project capital and O&M financing.” IFB, vol. 2, p. 5.

According to GPA, this program forms part of its Phase II Renewable Acquisition effort, and will serve as a pilot program for GPA, whereby GPA will continue additional staged bids in order to satisfy its renewable energy portfolio requirements. IFB, vol. 2, p. 3.

The subject program has a number of key objectives, which include the following: encouraging renewable energy market transformation; meeting Renewable Portfolio Standard goals; reducing air emissions, among others. IFB, vol. 2, p. 3. Additionally, GPA submits that this program supports the policies and directives of the Consolidated Commission on Utilities (“CCU”) and the PUC by reducing energy costs and Guam’s reliance on fossil fuels. IFB, vol. 2, p. 4.

Since this is a multi-step bid process, pricing will be evaluated at Step Two, whereby GPA will evaluate Price Proposals from the bidders indicated in a Qualified Bidders List established during Step One. IFB, vol. 1, p. 1. GPA has indicated that the program will be funded by LEAC. *See* Petition, p. 1; CCU Resolution, p. 1.

To begin with, it is the Legislature’s policy to “support” the “development of alternate energy” insofar as such energy program does not “burden” “the taxpayers, power consumers, and residents of Guam.” 12 G.C.A. § 8306. Accordingly, the Legislature has expressly authorized the Governor, the Government of Guam, and GPA, to “enter into alternate energy agreements to develop alternate energy or to purchase alternate

energy, so long as certain requirements are met. *Id.* For instance, Section 8306 provides the following.

(b) Any power produced or sold from alternate energy sources (including power generated from windmills, solar ponds and Ocean Thermal Energy Conversion (OTEC) cannot be purchased by Guam Power Authority or the government of Guam at a cost greater than the average cost of producing power found in the islandwide power system (not inclusive of backup diesel generators), specifically the two Cabras Units, the two Tanguisson Units, and the Piti Power Plant.

(c) No contract may be signed by the government of Guam or the Guam Power Authority to develop or purchase power from alternate energy sources (including power generated from windmills, solar ponds and Ocean Thermal Energy Conversion), if such contract will result in increased expenses and costs for the Guam Power Authority. No such alternate energy contract may be signed until the board of directors of the Guam Power Authority has so certified that the agreement is consistent with all bond covenants and that the price paid for electricity pursuant to the agreement does not exceed actual current avoided cost.

12 G.C.A. § 8306(b) and (c). In addition, Section 8306 additionally provides that “[a]ll interface facilities to provide usable alternate energy (including power generated from windmills, solar ponds and Ocean Thermal Energy Conversion) shall be installed and maintained at the expense of the supplier of alternate energy. Any such interconnections shall be at existing lines owned and operated by the Islandwide Power System, and such interfaces shall be subject to the engineering standards and approval set by the Guam Power Authority.” 12 G.C.A. § 8306(f).

Therefore, completely in line with this policy, GPA is expressly authorized to “enter into long term contracts for a period up to and not exceeding thirty (30) years for



renewable energy contracts, purchased power agreements, refurbish-operate-maintain contract, and build-operate-transfer contracts that cost Thirty Million Dollars (\$30,000,000) or more.” 12 G.C.A. § 8104(n). In addition, GPA is mandated under statutory renewable portfolio standards, specifically 12 G.C.A. § 8311, to meet 5% of renewable generation by December 2015.

Resolution No. 2014-18, issued by the CCU, authorized GPA to “pursue a Roof Top Solar pilot project with Guam Community College (GCC), or other entities, subject to final approval of the CCU as resolved in Resolution 2013-63 . . . .” CCU Resolution No. 2014-18, p. 1. In particular, the CCU authorized GPA’s General Manager to “petition the Public Utilities Commission for expedited review for approval the bid documents for the Solar PV Program pilot project with Guam Community College (GCC).” CCU Resolution No. 2014-18, p. 2.

The CCU found that the GCC program will “help GPA to meet its renewable portfolio and Demand-Side Management goals” by meeting “the renewable resource portfolio standard adopted by the Guam Legislature in 2008”; and will also result “in cost savings to the customers of GPA.” CCU Resolution No. 2014-18, p. 1.

Based on the August 18, 2014 Report submitted by Lummus Consultants International, Inc. (“Lummus Report”), renewable energy credits (“RECs”) were initially used “as a mechanism to validate renewable generation to support the renewable generation market in transitioning to valuing credits.”<sup>1</sup> “An REC is validated with a certificate describing the renewable generation”; and “[s]ome jurisdictions have third party

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<sup>1</sup> Lummus Report, p. 5.

tracking systems that create, retire, or transfer certificates based upon rules created by that jurisdiction, which is usually an independent contractor.”<sup>2</sup>

“The purpose of a green credit today is to promote renewable energy by providing an additional incentive to the generator through the value associated with a green credit.”<sup>3</sup> “Adoption of renewable energy is intended to drive reduced dependence on existing fossil generation and reduce the need for additional fossil fuel generation”; as well as to be used as a product that “creates an additional funding source for utility customers or utility companies to use to balance the costs of renewable energy adoption.”<sup>4</sup>

Lummus indicates that “[g]reen credits are an outgrowth of the development of RPS to encourage environmentally cleaner energy alternatives” since “[r]enewable energy currently has higher overnight costs according to a report by the U.S. Energy Information Administration (EIA)<sup>5</sup> than traditional fossil generation (solar installed costs are currently around \$3,394/kW whereas a Combined Cycle’s installed cost is approximately \$924/kW).”<sup>6</sup> “Some of the overnight cost differences are offset over time by the lower fuel and maintenance costs associated with renewable energy.”<sup>7</sup> Lummus explains that “[g]reen credits, along with tax incentives and long term contracts, make renewable energy a more competitive investment when compared with fossil

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<sup>2</sup> Lummus Report, p. 5.

<sup>3</sup> Lummus Report, p. 6.

<sup>4</sup> Lummus Report, p. 6.

<sup>5</sup> [http://www.eia.gov/forecasts/aeo/assumptions/pdf/table8\\_2\\_2014er.pdf](http://www.eia.gov/forecasts/aeo/assumptions/pdf/table8_2_2014er.pdf)

<sup>6</sup> Lummus Report, p. 6.

<sup>7</sup> Lummus Report, p. 6.



alternatives.”<sup>8</sup> Lummus has found that “[t]he value of green credits varies from jurisdiction to jurisdiction, ranging from under \$1 to as high as \$500 for solar RECs.”<sup>9</sup>

Lummus submits that a “green credit’s monetary value is created within each jurisdiction’s [Renewable Portfolio Standards (“RPS”)] and associated market.” Lummus, therefore, maintains that the compensation for green credits rely “on the balance of supply and demand within each market or jurisdiction.”<sup>10</sup> In particular, Lummus explains that “[t]he market, or jurisdiction, sets the rules for RPS, establishes pricing structures which set minimum and maximum prices for green credits that may differ by type (example: solar versus hydro for instance), and creates renewable portfolio standards.”<sup>11</sup> Green credits are useful inasmuch as “[i]f the utility has a surplus or deficit when compared to the requirement, they can trade RECs within the associated market or directly with another utility in order to achieve their RPS requirement”; and “[e]ach electric distribution utility is responsible for owning enough RECs to cover their obligation in each of their jurisdictions.”<sup>12</sup>

Lummus found that currently, “there is a very limited market of individual customers, such as GCC or the military for example, that can promote renewable energy and who could purchase or sell green credits to each other or to GPA.”<sup>13</sup> Thus, Lummus cautions that “[t]he adoption of green credits may add costs to already high generation

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<sup>8</sup> Lummus Report, p. 6.

<sup>9</sup> Lummus Report, p. 6.

<sup>10</sup> Lummus Report, p. 7.

<sup>11</sup> Lummus Report, p. 7.

<sup>12</sup> Lummus Report, p. 7.

<sup>13</sup> Lummus Report, p. 7.

costs for GPA customers whether the utility or individual customer receives the credit.”<sup>14</sup> However, Lummus recognizes that “[i]f the Commission moves toward adoption of a green incentive to encourage the solar or wind markets to be competitive and financially feasible, then such additional costs could be justified.”<sup>15</sup>

Lummus ultimately recommended that the Commission require GPA to report to the PUC the results of GPA’s investigation on the potential for a green credit market, and that such a report include the potential costs and benefits of incorporating a green credit market within GPA’s IRP.<sup>16</sup> Lummus notes that in order to establish a green credit market, certain rules would need to be established, such as the following: Qualifications for green credits; Ownership of the credit; Renewable resources that qualify for the credit; Tracking of the green credits; Expiration of the credits; Reporting of the credits; among others.<sup>17</sup>

Based on record before the Commission, the Administrative Law Judge (“ALJ”), in his August 26, 2014 ALJ Report, recommended that the PUC approve GPA’s request to issue a multi-step IFB for the procurement of solar PV system on behalf of GCC in similar form to the bid documents submitted to, and reviewed by, the PUC. The ALJ found that the subject program is consistent with the Legislature’s intent of developing renewable energy in Guam, and will help GPA meet its obligations under the statutory renewable portfolio standards.

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<sup>14</sup> Lummus Report, p. 7.

<sup>15</sup> Lummus Report, p. 7.

<sup>16</sup> Lummus Report, p. 7.

<sup>17</sup> Lummus Report, pp. 7-8.



With respect to establishing a “green credit,” Lummus has submitted for the PUC’s consideration a proposed Order related to its findings as detailed in the Lummus Report.

In this proposed Order, Lummus recommended that GPA submit a Green Credit evaluation report that outlines the benefits and costs of implementation, approach to such a market on Guam, and outlines the risks and opportunities associate with adoption, sixty (60) days after the date of this Order. In addition, Lummus further recommended that GPA shall submit a Green Credit Implementation Plan to the PUC that includes projected costs, proposed rules, relationship to RPS, validation process and suggested tracking mechanism that are required for a green credits program to be implemented with a timeline, no later than one hundred and twenty (120) days after the date of this Order. Further, Lummus recommended that after the PUC approves the Green Credit Implementation Plan, GPA shall submit a detailed Green Credit Report to the PUC that includes the following:

- a. Number of credits by type, date credit created, retirements and ownership;
- b. Any off island activity;
- c. Proposed costs associated with green credits;
- d. Other pertinent information.

Lummus suggested that such report should be due to the PUC annually and that the development of the initial Green Credit Implementation Plan, reporting, and efforts through actual implementation shall be an ongoing collaborative effort between GPA and Lummus regarding suggestions, recommendations and exchange of ideas. In order to facilitate the development of that report, it was recommended that an initial meeting shall

be held within fourteen (14) days of this Order. The Commission hereby adopts the findings contained in the August 26, 2014 ALJ Report, the Lummus Report, and therefore issues the following:

### **ORDERING PROVISIONS**

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

1. GPA's Petition for Approval of Solar PV IFB for Guam Community College, filed on June 13, 2014, is hereby GRANTED.
2. GPA is authorized to solicit a multi-step invitation for bid ("IFB") for the procurement of a solar photovoltaic system for the Guam Community College.
3. GPA is required to present the final contract to the PUC for 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 related to the instant 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.

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**SO ORDERED** this 28<sup>th</sup> day of August, 2014.

  
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**JEFFREY C. JOHNSON**  
Chairman


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**ROWENA E. PEREZ**  
Commissioner

  
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**JOSEPH M. MCDONALD**  
Commissioner

  
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**FILOMENA M. CANTORIA**  
Commissioner

  
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**MICHAEL A. PANGELINAN**  
Commissioner

  
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**PETER MONTINOLA**  
Commissioner

  
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**ANDREW L. NIVEN**  
Commissioner

P143057.JRA



**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

**GPA’S PETITION FOR APPROVAL  
OF SOLAR PV IFB FOR GUAM  
COMMUNITY COLLEGE**

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) **GPA DOCKET NO. 14-10**

) **ORDER**

) **RE: GREEN CREDITS**

**INTRODUCTION**

This matter comes before the Guam Public Utilities Commission (the “PUC” or “Commission”) pursuant to the June 13, 2014 Petition for Approval of Solar PV IFB for Guam Community College, filed by the Guam Power Authority (“GPA”). GPA seeks PUC approval to issue a multi-step invitation for bid (“IFB”) for the procurement of solar photovoltaic system (“PV”) for the Guam Community College (“GCC”).

In addition, Lummus Consultants International, Inc. (“Lummus”) was tasked by the Commission to assist with reviewing GPA’s request for approval of a Solar PV IFB for GCC. In addition to a review of contract terms, Lummus’ review focused on a description of how green credits are initiated, priced, tracked, traded and terminated in other markets in order to advise the Commission with regard to potential adoption.

**BACKGROUND**

GPA filed its petition for contract review on June 12, 2014 and is Docket No. 14-10. Lummus was tasked by the Commission to review the contract as it related to Green Credits. After investigating current Guam policies and legislation in place and policies, regulation and legislation in place for existing green credit jurisdictions, our observations relative to Green Credits include:

- No market is currently available for participation by GPA or its customers;
- Green credits are typically only sold or traded in bilateral transactions;



- GPA did not define what constitutes a green credit;
- There currently does not exist a description of the purpose or value a green credit would have on island nor how it interacts with GPA's integrated resource planning;
- A green credit market requires the following components or market attributes which are missing from the GPA filing:
  - Who will provide jurisdiction;
  - What is adequate compensation and what are the benefits of green credits;
  - Definition of the distribution and tracking processes for green credits; and
  - Whether a green credit can or should be customer specific.
- GPA did not address how green credits work in other jurisdictions, to support its proposal.

Under this Docket, the PUC requested Lummus to prepare a follow-up report relative to:

- Providing an overview of green credit offerings in U.S. systems;
- Providing a definition, understanding and benefits of green credits;
- Assessing the value of current green credit activities and markets;
- Identifying costs associated with green credits; and
- Provide recommendations for a potential green credits program and what is required for implementation by GPA and others.

Lummus Consultants filed its report with the PUC on August 18, 2014.

### **DETERMINATIONS**

In accordance with Lummus' findings, the PUC makes the following determinations:

1. Green credits need to be defined by GPA. GPA only mentions solar installation in its contract with GCC and no other renewable resource, such as wind. Other markets allow a wide variety of renewable technologies. Measurement of renewables in most markets is on a per MWh basis and that issue would also need to be resolved, Public Law ("P.L.") 29-62 states percentage of net sales.

2. Active markets exist in the U.S. mainland for green credits. No such market exists today in Guam. The Commission, the Guam Legislature, GPA and other

interested parties should collaborate to identify whether there is a need for such a market and, if warranted, create rules to establish such a market.

3. Most Mainland green credit markets consist of a state or several states that have defined rules and third party tracking and validation for each credit. Usually the Independent System Operator (“ISO”) validates the renewable generation produced and the third party tracking entity issues and tracks the certificate. Since Guam does not have an ISO, GPA or another entity will be required to perform this function.

4. Most jurisdictions with green credits have Renewable Portfolio Standards (“RPS”) or Goals. These standards (mandatory) and goals (voluntary) have requirements that the electric distribution utility is required to meet by a date certain in the future. These requirements are met by providing proof through ownership of green credits that the electric distribution utility met its goals. Some jurisdictions have green credit price caps, or penalties, that the electric distribution utility can purchase instead of green credits. Guam has a RPS standard in place, P.L. 29-62, which was adopted in 2008. GPA has filed several Integrated Resource Plans (“IRPs”) – (2008, 2012, and 2013) that all state the RPS goals as opposed to standards, which is a conflict that requires resolution by GPA in its IRP going forward.

5. GPA states in its filing that the green credits may only be allowed on a customer by customer basis. If there *is* value to the green credits in the future, allowing them on a customer by customer basis would discriminate against other customers who built their own renewable, or third parties who are already partnered with customers similar to what GPA is recommending. In all other jurisdictions green credits are generated based upon the rules in place and all have an equal opportunity. If Guam goes



forward with green credits it will have to make green credits open to all based upon the rules in place.

6. The benefits of green credits are that they encourage introduction of renewable resources by offering additional financing sources to the customer or utility, reducing dependence on fossil generation, and reducing the need for alternative fossil fuel generation to be built depending on the particular renewable generation capabilities. The costs associated with green credits, in most jurisdictions, are the cost of green credits, net metering costs (some areas pay full distribution rate) and the above market price for the generation. In GPA's case the cost would be at or below market in the GCC contract. Future contracts maybe at avoided costs that leave the cost of green credits as additional costs.

### **ORDERING PROVISIONS**

After careful review and consideration of the Report of Lummus and consideration of the above determinations, the Commission hereby ORDERS that:

1. Not later than sixty (60) days after the date of this Order, GPA shall submit a Green Credit evaluation report that outlines the following: the benefits and costs of implementation; the approach to such a market on Guam; and the risks and opportunities associated with adoption.

2. Not later than one hundred and twenty (120) days after the date of this Order, GPA shall, submit a Green Credits Implementation Plan to the PUC that includes projected costs, proposed rules, relationship to RPS, validation process and suggested tracking mechanism that are required for a green credits program to be implemented with a timeline.

3. Annually, after PUC approval of the Green Credits Implementation Plan, GPA shall submit a detailed Green Credits Report to the PUC that includes:

- a. Number of credits by type, date credit created, retirements and ownership;
- b. Any off island activity;
- c. Proposed costs associated with green credits;
- d. Other pertinent information.

4. The development of the initial Green Credits Implementation Plan, Reporting and efforts through actual implementation shall be an ongoing collaborative effort between GPA and Lummus regarding suggestions, recommendations and exchange of ideas. In order to facilitate the development of that report, an initial meeting shall be held within fourteen (14) days of this Order to establish the path forward to the initial report.

5. GPA 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.

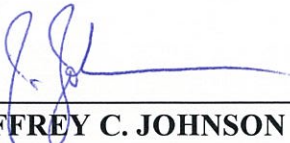

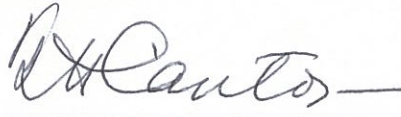

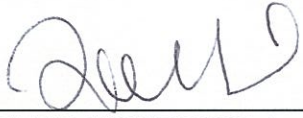

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**SO ORDERED** this 28<sup>th</sup> day of August, 2014.

  
**JEFFREY C. JOHNSON**  
Chairman  
**ROWENA E. PEREZ**  
Commissioner  
**JOSEPH M. MCDONALD**  
Commissioner  
**FILOMENA M. CANTORIA**  
Commissioner  
**MICHAEL A. PANGELINAN**  
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**ANDREW L. NIVEN**  
Commissioner

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