

GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
AUGUST 27, 2015
SUITE 202, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:40 p.m. on August 27, 2015, pursuant to due and lawful notice. Commissioners Johnson, Perez, McDonald, Cantoria, Pangelinan 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 Chairwoman announced that the first item of business on the agenda was approval of the minutes of July 16, 2015. Upon motion duly made, seconded and unanimously carried, the Commission approved the minutes subject to correction.

2. Teleguam Holdings LLC

The Chairman announced that the next item of business is GTA Docket 15-02, Application of Teleguam Holdings LLC for Approval of the Transfer of Control of Teleguam Holdings to Telekomunikasi Indonesia International, ALJ Report, and Proposed Order. The Counsel indicated that GTA would first provide a video clip presentation from the Applicants. After the Commissioners watched the video presentation, Counsel indicated that he had filed an ALJ Report. Counsel stated that he would just give the highlights of the Report and main considerations before the Commission in this matter. At the public hearing on this matter on June 13, there was testimony by the Applicants, and GTA, but no opposition to the Application. The Telkom Group explained what kind of company it was, the services it performs, and envisioned relationship with GTA.

The PUC has a limited role in evaluating such telecom company sales. The Commission, before a sale can be approved, must make two affirmative findings based upon the statutory requirements: the first is that the Applicant has sufficient financial, technical and managerial resources to be able to run GTA. The inquiry is whether, after the sale, GTA would be able to continue running the telecom company and provide services to the people of Guam. The second required finding is that the sale would not be contrary to the public interest.

The ALJ Report addresses each of the statutory requirements. With regard to available financial resources of the "Applicant", the term "Applicant" includes the company being sold, GTA, the company that is being sold, and Telekomunikasi International, USA, the immediate buyer. "Applicant" also includes the parent company, Telkom,

and its subsidiary Telin, the operational branch for companies overseas. All of these parties are "Applicants". The ALJ first examined GTA itself, and its holding company, AP Teleguam Holdings. GTA is already a functioning Telekom Company; it has its own infrastructure, fiber, and facilities. None of that changes after the sale. The financials of the holding company for GTA, AP Teleguam Holdings, shows increasing revenues over the past few years and a reduction of debt.

There is nothing in the financials which indicate that the company GTA, after the sale, would be in any less of a financial condition to operate than before the sale. In fact, the assets and resources of GTA would be the same, as the only change is at the holding company level. Telekomunikasi and Telkom will be purchasing the holding company of GTA. There would be no adverse change regarding the resources available to GTA, There likely will be sufficient financial resources after the sale.

In terms of the other Applicants, the purchasers of GTA, one must examine the financial condition of Telkom (the Parent Company), Telin, and Telekomunikasi International USA. These companies have very impressive financial growth. For 2014, their consolidated revenues, worldwide, are \$7.2 billion US. The net income for 2014 was \$1.7 billion US. At the end of 2014, the companies had \$1.42 billion US cash and equivalents on hand. The debt to equity ratio of 47% is good. The ALJ's conclusion is that available financial resources after the sale will be sufficient to allow GTA's continued operation.

The Telkom Group has also committed to the present five-year capital improvement plan of GTA. GTA has already been expending approximately \$16M a year in projected capital improvements. The purchasers of GTA have committed to comply with the existing capex plan and the five-year development plan. Thus, the ALJ concluded that Applicants do have sufficient financial resources to continue to provide the telecommunication services of GTA in Guam after the sale is consummated.

In regard to technical and managerial resources, the purchasing companies have agreed that they are not going to change the local management authorities here in Guam. The same team that has been with GTA for a number of years can successfully run a telecom company and there is nothing to expect any change in the managerial resources available to GTA. The purchaser proposing to buy GTA, the Telkom Group, would be able to share its technical expertise with GTA and will offer it additional managerial resources. The technical skills of GTA will be enhanced by the purchasers. At the public hearing, GTA Officer Andrew Gayle emphasized that, after the sale, GTA would enjoy considerable access to new expertise. The purchaser, Telkom group, understands the telecom business and will be able to mentor GTA and help it think about new methods for improving its operations. This statutory requirement is also satisfied; after the sale, the managerial, financial and technical resources will be more than adequate for GTA to continue to run the company.

From a public interest standard, no comments submitted in the record by anyone have suggested that this sale would be contrary to the public interest. There is nothing in the record that would support a finding that the sale is contrary to the public interest. The Applicants have provided many reasons as to why this sale is in the public interest. After the sale GTA will continue to provide the same services with no change in rates or terms and conditions of service; the customers of Guam will benefit from new services that would be made available from the Telkom Company. One example of this is the existing relationship between Telkom and GTA on the submarine cable consortium. The undersea submarine cable is to be constructed between Asia, Southeast Asia, Guam and the United States, with Guam at the center. As a result of this submarine cable, there should be greatly improved bandwidth capacity and Guam will hopefully benefit.

Under the Guam Telecom Act of 2004, it is the public interest to provide the people of Guam with modern, innovative, accessible and affordable telecommunication services and products. The result of the sale will likely be that the people of Guam have more telecom products and services. The ALJ Report recommends that the Commissioners approve the sale because all of the statutory requirements have been satisfied. However, the Commission's approval would be "conditional". The Applicants have already filed various applications for approval of the sale at the Federal Communications Commission level. This process may take into the first quarter of next year. There are various federal committees that will examine the issue of foreign ownership of GTA.

Approval by the PUC will be conditional upon the Applicant satisfying all the requirements of the FCC with regard to the transaction. The Parties will have to consummate their agreement and plan of merger; all the terms and conditions between the prior owners and the purchasers will have to be satisfied. This transaction will have to be completed in all material respects. The ALJ examined the underlying transaction; he believes that the terms and conditions are in order. The Commission can rest assured that the transaction has a good probability of success. GTA and AP Teleguam Holdings are in the process of transferring their 214 Authorization to Telekomunikasi International USA. That transfer is another condition of approval in this case. The Order prepared for the Commissioners' consideration would approve the sale. However, Approval is conditioned upon satisfaction of the conditions set forth in paragraph 10 Order.

Executive Vice President Tydingco of GTA and the Telkom Group thanked the PUC and the ALJ for the expedited consideration of the application. Commissioner Niven asked whether this matter would need to come back to the Commission after the additional terms and conditions were satisfied. Counsel indicated that it did not, but for the record, the PUC requires that the Applicants submit all the final documentation showing that the transaction is complete and has been approved by the FCC. Commissioner Perez asked whether the Applicants must come back to the Commission to change over the certificates of authority. Counsel indicated that there was no change

in the certificates of authority. The two certificates of authority will continue to be held by AP Teleguam Holdings after the sale. Commissioner Perez also asked about the length of the undersea cable and whether a correction was made in the statement about its length being 29,000 kilometers. Counsel Horecky indicated that the matter had been corrected. The actual length of the cable will be 69,000 kilometers. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the sale of GTA from the AP Funds to Telekomunikasi International USA, and approved the Order made *Attachment "B"* hereto.

3. The Port Authority of Guam

The Chairman announced that the next item on the agenda was PAG Docket 15-05, the Petition for Approval of Owners/ Agent Engineer Services Agreement with Parsons Brinckerhoff, ALJ Report, and Proposed Order. The Counsel indicated that the funds for the engineer services agreement with Parsons Brinckerhoff were as a result of a federal grant. There is no rate impact, which is good news for the ratepayers of Guam. There was a good collaboration between the Port and Governor's Office in locating these funds through the federal Economic Adjustment Office. The grant funds, in the amount of \$1.3M, will be used for services to be provided by Parsons. These include: the presentation of the five-year plan to the PUC, dealings with rate proceedings before the PUC, life extension projects at the Port and the terminal operating system project. This grant should be helpful for the Port in meeting its goals and objectives.

Parsons Brinckerhoff was selected as a result of a Request for Proposals. It was the lowest and most responsive bidder. The Port Board has recommended that Parsons be selected. The Contract between the Port and Parsons is a standard consulting agreement and will be based upon task orders. The total amount is \$1.3+M, and there will be a specific task order for each task performed by Parsons. Another task for Parsons could include assistance with the Port's capital program, including the issuance of revenue bonds. There are also services related to assisting the Port with the Marad/PMT sponsored projects, which include renovations to building spaces, linking all communications infrastructure, automating the gate complex, maintenance programs, securing security grants and various infrastructure projects.

The ALJ believes that the Port does need the services referred to. The PUC has been awaiting the five-year Tariff plan from the Port; hopefully the consultant would be able to assist the Port in expediting the plan and bringing it before the Commission in the near future.

The contract will have a five-year term. Each expenditure is done through a task order. There are many reporting requirements for the federal grant agency, the Office of Economic Adjustment. The first task order, for which PAG is seeking PUC approval, is the initial startup meeting with Parsons Brinckerhoff at a cost of roughly \$130,000.00. The Parsons will have 7 or 8 members working on these projects. The ALJ felt that this arrangement will allow the Port to retain professional consultants in the form of an

owner's agent engineer to obtain expertise in a number of different engineering and management disciplines. This will assist PAG in dealing with the challenges associated with modernization. The ALJ concluded that the terms and conditions of the professional services agreement with Parsons are commercially reasonable and not burdensome. There is also no negative rate impact to the ratepayers. For those reasons, the ALJ recommends that the Commissioners approve the contract.

The Chairman asked Counsel whether PAG was requesting approval for the entire \$1.38M amount. Counsel indicated that it was. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Engineer Services Agreement between PAG and Parsons Brinckerhoff in the amount of \$1.3M, and adopted the Order made *Attachment "C"* hereto.

4. The Guam Power Authority

The Chairman announced that the next item of business on the agenda was GPA Docket 15-14, Lummus-GPA Report on Proposed DSM Cost Recovery Approach, and Proposed Order of Approval. Counsel stated that this matter concerns the funding of the Demand Side Management Program. The Commission previously ordered that a DSM Program be undertaken by GPA. There has been a collaborative effort between the Commission, Lummus Consultants, Leidos, and GPA to determine how this program will be implemented. Four programs have been identified, including two air conditioning programs and washer/dryer. The Report is due from GPA on the intended longer term DSM Projects. The issue is funding. There was a surcharge in effect, the working capital fund surcharge, that ratepayers have been paying. Initially the parties had thought that such surcharge could be continued to provide a funding source for DSM after September 2015. However, GPA decided to deactivate that surcharge at the end of September 2015.

It now appears that necessary funding for the Working Capital Fund has declined from about \$34M down to roughly \$26+M. There is an excess in that fund. The Working Capital fund surcharge did not fully reimburse GPA for the bond funds needed to fill up the working capital fund. There is a shortage of \$1.8M. It is appropriate that GPA recover the amount of \$1.8M from the Working Capital Fund to use as a source for funding the DSM Program. GPA desires to use \$1.8M from the Working Capital Fund to fund the DSM Program. This will be an initial funding source for DSM. GPA is creating the Energy Sense Fund. \$1.8M will be withdrawn from the Working Capital Fund and placed into the Energy Sense Fund. Amounts will then be withdrawn from the Energy Sense Fund for appropriate purposes under the DSM Program. The Energy Sense Fund will be a "Lockbox" fund used by GPA only to fund DSM.

This is likely a short term funding solution. Once the \$1.8M is exhausted, other funds will have to be identified to fund DSM further. However, such amount should last for a year and probably more than one year. Once the funds are exhausted, PUC and GPA, and their consultants will need to determine another appropriate funding source. An

agreement has been signed between PUC's Consultant, Lummus and GPA; it sets up the agreement indicated concerning the use of Working Capital Fund in the amount of \$1.8M to fund DSM. The Proposed Order outlines this background and would authorize the withdrawal of \$1.8M from the Working Capital Fund by GPA for the purpose of funding DSM. The parties would be further tasked to proceed with the recommendations in the Letter Report, and to implement those recommendations.

GM Benavente of GPA indicated that he had nothing further to add on the matter. The Chairman asked GM Benavente whether the rebates for the energy efficient items were still the same: \$50.00 per washer, \$50.00 per dryer, \$500 per central AC, \$300 for split? GM Benavente was not certain but he indicated that he would check on this matter. Commissioner Niven asked whether GPA was agreeing to forego, at any time, recovery of the \$1.8M subordinate bond debt service that was not recovered from ratepayers through the WCF. GM Benavente indicated that was correct. Chairman Johnson stated that, because of the drop in fuel prices, GPA would not need as large a working capital fund. However, it is appropriate to use some of the excess WCF funds for something such as this. GM Benavente agreed. GM Benavente also indicated that the WCF was being reimbursed from the other savings. Upon motion duly made, seconded and unanimously carried, the Commissioners approve the Lummus-GPA Report on Proposed DSM Cost Recovery Approach, and adopted the Order made *Attachment "D"* hereto.

The Chairman asked GM Benavente whether GPA may come to the PUC midstream in this LEAC. For a readjustment. GM Benavente indicated that GPA was examining this matter. Fuel pricing has gone down to \$45 per barrel plus premium. They will be examining whether the \$2M threshold has been exceeded. GPA does not desire to build up a big over recovery. The Chairman also wished to remind GM Benavente that the CCU cannot unilaterally raise or lower rates. GM Benavente felt that there was a misunderstanding. GPA thought it was merely deactivating the charges, but it does apologize. The Chairman asked whether GPA, with the self-insurance fund, within the 18 to 20 million zone. GM Benavente indicated that it had \$20M.

5. The Guam Waterworks Authority

The Chairman announced that the next item of business was GWA Docket 15-05, Approval of Bid for Chemicals regarding Northern District and Hagatna Wastewater Treatment Plants, ALJ Report, and Proposed Order. Counsel indicated that this matter involved chemicals for the Wastewater Treatment Plants, the Northern Plant and the Hagatna Plant. These chemicals are needed on an ongoing basis to meet clean water requirements under federal law, comply with the Clean Water Act and to operate the plants in compliance with federal laws, permits, and federal guidelines. The overall cost for the chemicals is approximately \$1.2M per year. A projected five-year contract will cost about \$6M. These chemicals are inorganic coagulants, flocculent aids,

coagulant aids, and sludge dewatering cationic polymers. ACH is one of the main chemical elements.

The ALJ has examined the specifics of the required chemicals; these inorganic coagulants reduce total suspended solids and biochemical oxygen demand in the water waste complies with the 2011 Federal Order. GWA has determined that it is advantageous to go out on a longer term contract because the chemicals are always in need by GPA; it may be more cost-effective with a longer term contract for procuring these necessary chemicals. The proposed contract is for a three-year term with a fixed price and two options to renew for an additional one-year term (a total of five years). The CCU approved this contract through a Resolution.

The ALJ found that GWA 's use of a multi-year contract for the purchase of these chemicals is reasonable and necessary, given that the chemicals are indispensable and required for GWA's daily wastewater operations. GWA provided adequate documentation to demonstrate that it needs these chemicals to operate the Northern and Hagatna Wastewater Treatment Plants. The ALJ recommends that the Commissioners approve the contract. Commissioner Pangelinan asked if there was any issue of funding. GWA Counsel Taylor indicated that there was not. GWA must buy these chemicals to keep in compliance. The Chairman asked whether GPA was near the end of the present contract. Counsel Taylor indicated that it was. Upon motion duly made, seconded and unanimously carried, the Commissioners approve the Bid for Chemicals for the Norther District and Hagatna Wastewater Treatment Plants, and adopted the Order made *Attachment "E"* hereto.

The Chairman announced that the next item of business was GWA Docket 15-07, the Petition to Authorize GWA to Use Remaining Balance of the Funds Requested for PMO Work Order No. 2014-11 to Manage the USEPA's State Revolving Fund Projects and for an Additional \$5.3M in Additional Funding for Various Important Projects, ALJ Report and Proposed Order. Counsel indicated that, with regard to the U.S. EPA State Revolving Fund Projects, the PUC had already approved the first part of that request, \$544,925. However the other half of that amount, \$544,925, had been withheld by PUC pending reporting by GWA to show that it complied with the requirements under the grant and undertaking the proper projects. The funding request will not cause any ratepayer impact, as the projects are grant funded. The projects involve various waterline projects. The ALJ concluded that prior use of the funds for the SRF was sufficient, and that the funds were used for their proper purposes. He advises the Commissioners to approve GWA's use of the remaining funds of the state revolving fund grant.

Counsel stated that the second matter involved a requested \$5.3M increase in the PMO contract. The total expended by GWA over the past 3 ½ years is funding for PMO is a total of \$17M. The latest request by GWA for an increase in the PMO contract funding at \$5.3M, is for various items. The ALJ has found that some of those items are justified

and should be funded immediately; however on other aspects of the request, the ALJ asks for more documentation and information from GWA, such as task orders that will specify precisely what work will be done under these projects. On a number of the projects there is not sufficient background information on what tasks the PMO will undertake. One project that the PMO will perform is the Consulting Engineer's Report under the projected upcoming bond issuance. GWA is required under its bond indenture to have an independent engineer assess the condition of the GWA system and prepare a report that is used by the rating agencies and the bond issuers to justify the bond issuance. The Engineer's Report is a crucial part of the bond issuance process. The ALJ felt that \$200,000 was immediately necessary for the funding of the Consulting Engineer's Report. GWA indicates that Brown & Caldwell is particularly well positioned to do the report because of its background and expertise with GWA. If this matter were bid, other companies would likely charge a higher price. Counsel indicated that, based on his knowledge of other consulting Engineer Reports, the \$200,000 is reasonable.

The ALJ also felt that the project for examining secondary treatment and developing potential compliance plans with USEPA also needed to be funded immediately. This project will examine the technical upgrades that would be necessary for secondary treatment. There are various projects concerning \$2.6M for the updating of the GWA five-year plan that and others that need further justification and explanation. The ALJ is not indicating that those projects cannot be approved, but that GWA must supply additional information. For now, the ALJ recommends approval by the PUC of a total amount of \$1,173,175 for various GWA projects. This would cover the Consulting, Engineer's Report and the facility plans for the Northern District and Hagatna Wastewater Treatment Plants.

For the other projects, the ALJ recommends that GWA file work authorizations which would include descriptions of the projects, more detailed deliverables, schedules, time frames and deadlines, as well as the breakdown of cost estimates. The Proposed Order would approve the \$1.1M for various projects, and for the SRF grant funds. GWA Counsel clarified that for the projects not approved, GWA would only have to submit more detailed information to the ALJ, without the need for an additional petition, and the ALJ would issue an additional report to the PUC. The Chairman concurred that Mr. Taylor's understanding was correct.

Commissioner Perez said that the PUC was looking at \$197,790 for the Consulting, Engineer's Report for the 2015 Series Revenue Bonds. Mr. Taylor indicated that was correct. Commissioner Perez then asked whether the second project was the facility plan for the Northern District and Hagatna Wastewater Treatment Plants. The Chairman said that was correct. Commissioner Pangelinan then asked about the email from Tom Conner of the USEPA. He asked whether Mr. Conner was in favor of granting or approving the request for all of the projects. GWA Counsel Taylor said no, Tom Conner's email was directed solely on the SRF funded projects. Mr. Conner is

comfortable with Brown & Caldwell assisting GWA in managing its SRF. Upon motion duly made, seconded and unanimously carried, the Commissioners approved certain PMO funding requests, and adopted the Order made *Attachment "F"* hereto.

6. Administrative Matters (for informational purposes only)

The Chairman indicated that the next item on the agenda was Administrative Matters. The first such matter was the ALJ Order on Issues involving the TELRIC Study, PDS Docket 14-01 [Arbitration Proceeding on Pricing for Unbundled Network Elements in Interconnection Agreement]. Counsel indicated that this matter was only before the Commissioners for informational purposes, and that no action was necessary by the PUC at the present time. The PUC had asked the ALJ to handle Phase 2 of this matter; at the conclusion of Phase 2, the Commission will need to review any final recommendation by the ALJ on pricing for the unbundled network elements. GTA had argued that the system has changed, and it only has one wire center. Therefore, previously what was called a loop is now a sub-loop. GTA wanted to base its TELRIC Study on the new configuration. However, the ALJ determined that two Orders have already established that the proper subject of arbitration was ten loop rates and two sub-loops. It is what must be examined by the TELRIC Study. The holding was that the TELRIC Study must include what the Commission already ordered it to include.

The Chairman gave Mr. Day, President of PDS, an opportunity to comment. Mr. Day indicated that it had now been one year since the Commission's approval of the new PDS-GTA ICA. That Order gave the ALJ authority to arbitrate 12 prices for 12 different services. There are mitigating factors concerning the time that these proceedings have taken due to negotiations of the parties; however, there still has been no conclusion. PDS has suffered an anti-competitive affect. It can't order the sub-loops until permanent rates are established. The ALJ's Order did establish a time line for completion of the TELRIC Study. The longer it takes, there will be a negative impact.

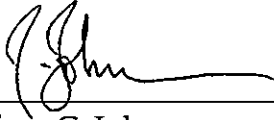
Mr. Day looks forward to hopefully coming before the PUC soon with something that it can approve. Counsel agreed that Mr. Day had raised some good points. Counsel indicated that the ALJ established a deadline for the TELRIC Study of November 30, rather than December 31 as recommended by the PUC consultants. There will be no excuses for GTA not completing the study by the end of November. If there is no settlement, the ALJ will push this matter forward to complete the arbitration.

The Chairman indicated that the next administrative matter was the Lummus Updated Report on GPA's Proposal for Combined Cycle Units, GPA Docket 15-05. Counsel indicated that this matter was included for information; Commissioners do not presently need to discuss the merits. GPA Management has been provided with the Report, and it has until September 11 to submit comments. Once GPA's response is received, the PUC can determine whether to refer the matter back to Lummus again. Counsel would intend to place the matter on the meeting agenda for September 24. Counsel further indicated that the Governor of Hawaii had recently indicated that LNG

would not be implemented in Hawaii on his watch. Governor Ige prefers continued development of solar, and LNG is too expensive, the infrastructure too difficult.

Commissioner Niven asked whether there has been any response from EPA Region 9 to GPA. Chairman indicated that it has been quiet recently. Nothing has been heard.

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

A handwritten signature in black ink, appearing to read 'J. Johnson', written over a horizontal line.

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 27, 2015**

Agenda

1. Approval of Minutes of July 16, 2015
2. Guam Power Authority
 - GPA Docket 13-14, Lummus-GPA Report on Proposed DSM Cost Recovery Approach, and Proposed Order for Approval
3. Guam Waterworks Authority
 - GWA Docket 15-05, Approval of Bid for Chemicals Re: Northern District & Hagatna Wastewater Treatment Plants, ALJ Report, and Proposed Order
 - GWA Docket 15-07, Petition to Authorize GWA to Use the Remaining Balance of the Funds Requested for PMO Work Order Number 2014-11 to Manage the USEPA's State Revolving Fund Projects and For an Additional \$5.3M in Additional Funding for Various Important Projects, ALJ Report, and Proposed Order
4. Port Authority of Guam
 - PAG Docket 15-05, Petition for Approval of Owners/Agent Engineer Services Agreement with Parsons Brinckerhoff, ALJ Report, and Proposed Order
5. TeleGuam Holdings LLC
 - GTA Docket 15-02, Application of TeleGuam Holdings, LLC, for Approval of the Transfer of Control of TeleGuam Holdings, LLC to Telekomunikasi Indonesia International (USA) Inc., ALJ Report, and Proposed Order
6. Administrative Matters (for Informational Purposes only)
 - Lummus updated Report on GPA's Proposal for Combined Cycle Units, GPA Docket 15-05
 - ALJ Order on Issues involving TELRIC, PDS Docket 14-01 [Arbitration Proceeding on Pricing for Unbundled Network Elements in Interconnection Agreement]
7. Other Business

ATTACHMENT A

GTA Docket 15-02

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Application of TeleGuam Holdings, LLC, ["GTA"] for approval by the PUC of the transfer of control of TeleGuam Holdings, LLC, to Telekomunikasi Indonesia International (USA) Inc. ["TIIUSA"].¹
2. On July 13, 2015, PT Telekomunikasi Indonesia Tbk. ["PTTI"], PT Telekomunikasi Indonesia International ["PTTII"], and Telekomunikasi Indonesia International (USA) Inc. ["TIIUSA"] entered an Appearance in this matter and a Joinder in the Application filed by GTA.²
3. GTA and the other Applicants request that PUC authorize TIIUSA to become the direct, one hundred percent owner of AP TeleGuam Holdings Inc ["APTG"].³ APTG is the holding company which presently owns TeleGuam Holdings, LLC, ["GTA"].

BACKGROUND

4. In 2005, the PUC issued Certificates of Authority to TeleGuam Holdings, LLC, authorizing it to provide facilities based and resold local exchange telecommunications services in Guam.⁴

¹ Application of TeleGuam Holdings, LLC, GTA Docket 15-02, filed June 16, 2015.

² Notice of Appearance and Joinder in Application, GTA Docket 15-02, filed July 13, 2015.

³ Application of TeleGuam Holdings, LLC, GTA Docket 15-02, filed June 16, 2015, Id. at Exhibit 3 [Diagram of Post-Merger Ownership and Structure Chart].

⁴ TeleGuam Holdings, LLC, Certificate of Authority, Docket 05-02, issued by the PUC on February 28,

5. After privatization of GTA in 2005, Shamrock Capital Advisors purchased the company as its first private owner.⁵
6. On February 21, 2011, the PUC approved the sale and transfer of control of GTA from Shamrock to AP TeleGuam Holdings LLC ["APTG"]. The new owners of APTG were certain funds in Japan known as the "AP Funds."⁶
7. After receipt of the present Application for sale and transfer of control of GTA, the PUC caused a notice to be published in the Pacific Daily News on July 13, 2015, and August 11, 2015, attesting to: (1) the filing of the Application; (2) the opportunity for interested persons to file comments of record regarding the Application; and (3) the holding of a public hearing to receive public comment and testimony on the Application.⁷
8. On August 13, 2015, the PUC conducted a Public Hearing at which testimony on the Application was taken. Testimony was provided in favor of the application by representatives of TIIUSA, PTTI, PTTII, and GTA. There was no testimony in opposition to the Application. The ALJ and Commissioner Andrew L. Niven questioned the respective parties concerning their testimonies.
9. On August 24, 2015, the Administrative Law Judge issued his Report herein.⁸
10. If the transaction is approved, the direct owner of APTG will be Telekomunikasi Indonesia International (USA) Inc. [TIIUSA].⁹
11. TIIUSA is one of ten operational offices under PT Telekomunikasi Indonesia International [PTTII, whose parent company is PTTI].¹⁰

2005.

⁵ GTA TeleGuam News Release issued on November 15, 2010.

⁶ PUC Order Approving Sale/Transfer of Ownership and Control of TeleGuam Holdings, LLC, and GTA Telecom LLC (Subject to Conditions), GTA Docket 10-09, dated February 21, 2011.

⁷ PUC Public Notice of Application of TeleGuam Holdings, LLC for PUC Approval of the Transfer of Control of TeleGuam Holdings, LLC to Telekomunikasi Indonesia International (USA) Inc., GTA Docket 15-02, published in the Pacific Daily News on July 13, 2015, and August 11, 2015.

⁸ ALJ Report, GTA Docket 15-02, dated August 24, 2015.

⁹ Application of TeleGuam Holdings, LLC, GTA Docket 15-02, filed June 16, 2015, at Exhibit 3[Diagram of Post-Merger Ownership and Structure Chart].

¹⁰ Presentation of the Telekom Group to the PUC on August 13, 2015, at Slide 8.

12. The ultimate parent and indirect owner of AP TeleGuam Holdings, Inc [APTG] will be PT Telekomunikasi Indonesia Tbk. [PTTI], also known as "TELKOM."¹¹
13. TELKOM is the leading telecom operator in Indonesia It has been an operator since 1856.¹²
14. The TELKOM Group, which includes all of TELKOM's subsidiaries, has over 25,000 employees. It supports almost 200 million subscribers in Wireless and Fixed Line Broadband Services.¹³ It has strong infrastructure capabilities, including data centers, fiber optic networks, and Wi-Fi access points.¹⁴
15. PTTI, also known as "Telkom Indonesia" delivers a full range of communication services, including wireline, wireless, interconnection, Internet and Data Services.¹⁵
16. GTA filed, under seal, a copy of the Agreement and Plan of Merger, on August 13, 2015.¹⁶ The agreement contains a detailed description of the terms and conditions of the sale.¹⁷
17. With regard to the present transaction, Purchaser TIIUSA will purchase all of the ownership interest of the AP Funds in APTG, including indirect ownership of TeleGuam Holdings LLC [GTA]. A "Merger Sub" will merge into APTG. APTG will become a direct wholly-owned subsidiary of Purchaser TIIUSA; and TeleGuam [GTA] will become an indirect wholly-owned subsidiary of Purchaser.¹⁸
18. It is a condition of the transaction that it be consummated by March 31, 2016, or as extended by the Parties.¹⁹
19. The transaction must also be approved by the Federal Communications Commission and other federal authorities, including the Committee on Foreign

¹¹ Id at Exhibit 3.

¹² Id at Slide 3.

¹³ Id at Slide 7.

¹⁴ Id.

¹⁵ The Application of TeleGuam Holdings, LLC, GTA Docket 15-02, filed June 16, 2015, at p.3.

¹⁶ Agreement and Plan of Merger dated May 29, 2015, GTA Docket 10-09, filed [pursuant to GPUC Rules relating to the Protection of Confidential Information] August 13, 2015.

¹⁷ Id.

¹⁸ Application of TeleGuam Holdings, LLC, GTA Docket 15-02, filed June 16, 2015, at p. 5.

¹⁹ Agreement and Plan of Merger, GTA Docket 15-02, filed August 11, 2015, at p. 2.

Investment and Team Telecom. It is hoped by the Parties that there will be final federal approvals in the first Quarter of 2016.²⁰

DETERMINATIONS

20. Before the sale or transfer of control can be effective, the Commission must make a determination that the proposed sale or transfer satisfies the requirements for granting a certificate of authority as set forth in 12 GCA §12203(c).
21. The two findings required by the Commission in subsection (c), before a sale or transfer of control can be approved, are as follows:
 - (1) The applicant possesses sufficient technical, financial, and managerial resources and abilities to provide the telecommunications services in Guam; and (2) the sale is not be contrary to the public interest.²¹
22. A review of the record herein regarding the “financial resources” of TeleGuam Holdings LLC [GTA] establishes that Applicants will continue to have sufficient financial resources to provide telecommunications services after the transfer of control of GTA:
 - a. The “Consolidated Balance Sheets” and Income Statements for APTG as of December 31, 2012, 2013, and 2014,²² indicate that Applicants have substantial and significant financial resources, which should enable them to continue to provide telecommunications services in Guam after a transfer of control of GTA/APTG to Purchaser TIIUSA.
 - b. GTA owns assets, including property, plant and equipment which constitute its telecommunications system and enable it to provide telecommunications services.²³

²⁰ Email from GTA Counsel Vince Camacho to ALJ Horecky, GTA Docket 15-02, dated August 18, 2015 [responses to ALJ questions prepared by Daniel Tydingco, GTA Executive Vice President of Legal, Regulatory, and External Affairs.

²¹ See 12 GCA §12203(c) (1) and (2).

²² Exhibit D to Application, GTA Docket 15-02, filed under seal on June 16, 2015.

²³ Id.

- c. The Balance sheets and Income Statements indicate that there was a consistent and healthy increase in GTA's revenues for each year from 2012 to 2014 in amounts totaling millions of dollars.
 - d. Long term debt was substantially reduced between 2013 and 2014. Payoff of long term debt by GTA is an indication that it is capable of meeting its current debt obligations.
 - e. Because the proposed transaction will occur at the holding company level, there is no proposed change in any of the assets or liabilities of the Applicants; the Applicants will continue to possess the same strong financial qualifications that they do at present after the sale.²⁴
23. Purchaser and its parent companies have sufficient financial resources to fund the sale transaction and to assist GTA in continuing to provide telecommunication services in Guam under the existing Certificates of Authority.
- a. The Purchaser has committed to continue to build the infrastructure improvements set forth in the Five Year Build Out Plan previously filed by GTA, under which an additional approximate amount of \$16M per year will be spent on telecom capital investment on Guam.²⁵
 - b. The Purchaser has committed to continue to build the infrastructure improvements set forth in the Five Year Build Out Plan.
 - c. The Purchaser has also agreed to continue with GTA's 2016 "Capex Plan", which will expand 3G wireless capabilities, extend digital television capabilities to more island neighborhoods, and extend fiber deeper into the network.²⁶
 - d. The Financial Statements of Purchaser and its parent companies indicate that they have substantial financial assets.²⁷
 - e. The consolidated revenue of the TELKOM Group for 2014, which

²⁴ Application of TeleGuam Holdings, LLC for Approval of the Transfer, GTA Docket 15-02, at p.6.

²⁵ Id. at p. 7.

²⁶ Id.

²⁷ See Exhibit E1 to Application, GTA Docket 15-02, filed under seal on June 16, 2015; 2014 Annual Reports of Telkom Indonesia and Telin, provided to the ALJ on August 13, 2015, at the Public Hearing.

includes the Purchaser, was \$7.2 Billion; Net Income for 2014 was \$1.7 Billion.²⁸

- f. Revenue growth for the last ten years for the TELKOM Group was 8% compound annual growth rate [CAGR]; cash & equivalents as of the end of 2014 were approximately \$1.42 Billion, with debt to equity ratio (DER) of 48%.²⁹
- g. The TELKOM Group reflects steadily increasing annual revenues from 2010 to the present. The value of its total assets exceeds \$11.4 billion.³⁰

24. The Applicants now have sufficient technical and managerial resources to provide telecommunications services in Guam and will continue to have such resources after the sale.

- a. Purchaser intends to maintain the Applicants' existing management team and Guam-based employees following completion of the transaction, so that the Applicants will continue to possess the same technical and managerial qualifications as they do at present; and these will be supplemented by the management team of Purchaser.³¹
- b. The same management team which has previously guided GTA forward will continue to manage GTA after the transfer of control of TeleGuam Holdings, LLC to TIIUSA.
- c. The TELKOM Group is an operating telecommunications company. As the largest such company in Indonesia, it will be able to provide GTA with considerable technical and managerial resources.³²
- d. GTA will enjoy access to the resources of the TELKOM Group. GTA and the TELKOM Group will be positioned to collaborate more effectively in efforts to develop and introduce new services to customers and expand global network facilities and capabilities.³³

²⁸ Presentation of the Telekom Group to the PUC on August 13, 2015, at Slide 3.

²⁹ Id.

³⁰ Telkom Indonesia, 2014 Annual Report on form 20-F, p.11.

³¹ Application of TeleGuam Holdings, LLC for Approval of the Transfer, GTA Docket 15-02, at p. 5.

³² Presentation of the TELKOM Group to the PUC on August 13, 2015 at Slide 9.

³³ Application of TeleGuam Holdings, LLC for Approval of the Transfer, GTA Docket 15-02, at p. 7.

25. Approval by the PUC of the sale/transfer of control of TeleGuam Holdings to the ownership of TIUSA and the TELKOM Group would not be "contrary to the Public Interest."

- a. There is no evidence in the record in this proceeding that the transfer of control of GTA to the TELKOM Group would be "contrary to the Public Interest".
- b. No written or public testimony has been submitted to the PUC claiming that such transfer would be contrary to the Public Interest.
- c. Applicants' Petition presents a number of reasons why the granting of the Petition is in the Public Interest: (1) following the consummation of the proposed transaction, GTA will continue to offer services with no change in the rates or terms and conditions of service; (2) the customers of Guam will benefit from new services and expanded global network facilities and capabilities offered by the collaboration between GTA and the TELKOM Group; (3) telecommunications customers in Guam have benefited from the continuing capital investments by GTA, and such investments will continue after the sale; (4) customers on Guam have benefited from improved service offerings and better pricing from GTA and will continue to do so after the sale; (5) GTA has had a strong focus on hiring and developing employees on Guam and paying at or above market wage rates, and will continue to do so after the sale; (6) important working relationships with the Government of Guam and Emergency Entities will continue with Purchaser's Ownership; (7) GTA is a generous community service and charitable contributor on Guam and will continue to be so.³⁴
- d. One of the public benefits which will result from the sale is the continuing working relationship between Telkom and GTA on the SEA-US submarine cable partnership to provide Guam, the United States, and the South-East Asia region with massive bandwidth capacity.³⁵ This partnership between GTA and Telkom was

³⁴ Application of TeleGuam Holdings, LLC for Approval of the Transfer Control, GTA Docket 15-02, at pgs. 6-11.

³⁵ Presentation of the TELKOM Group to the PUC on August 13, 2015 at Slide 3.

undertaken in 2014. The international submarine infrastructure will be 29,000KM in length and will connect Europe, Asia, Guam and the US.³⁶

- e. The Guam Telecommunications Act of 2004 provides that it is in the public interest to provide the people of Guam with modern, innovative, accessible and affordable telecommunications services and products.³⁷
- f. It is also in the interest of consumers of telecommunications services on Guam that the expansion of facilities and technology continue. TIIUSA and the TELKOM Group are committed to investing in Guam to offer state of the art service to all customer segments. With Purchaser's financial backing, GTA should be able to accelerate competitive service offerings and provide customers with better service, more service choices and improved pricing.³⁸

ORDERING PROVISIONS

After review of the Application, and the supporting materials and comments submitted by the Applicants, the Administrative Law Judge Report, and the record in this Docket, and for good cause shown, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. All rulings and orders of the ALJ in this proceeding are confirmed and ratified. All motions not heretofore granted or denied are denied. No other matters currently require discussion.
2. The Report issued by the ALJ on August 24, 2015, is hereby adopted and approved. The PUC concurs with the findings and recommendations therein.
3. Applicants TeleGuam Holdings, LLC, ["GTA"], PT Telekomunikasi Indonesia Tbk. ["PTTI"], PT Telekomunikasi Indonesia International ["PTTII"], and Telekomunikasi Indonesia International (USA) Inc. ["TIIUSA"], are authorized to

³⁶ Id at Slide 7.

³⁷ 12 GCA §12101(a)(2).

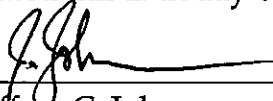
³⁸ Response of APTG and AP Funds to PUC Request for Information, GTA Docket 10-09, filed January 26, 2011 at p. 3.

proceed with, and complete, a transaction whereby Purchaser TIIUSA will acquire direct control of the holding company of GTA, AP TeleGuam Holdings LLC.


4. Applicants satisfy the requirements of 12 GCA §§12203(c) and (g): Applicants and Purchaser will continue to have sufficient financial resources to provide telecommunication services in Guam under the existing Certificates of Authority after the transfer of control of GTA.
5. Applicants also will possess sufficient technical and managerial resources and abilities to provide the telecommunications services authorized by the present Certificates of Authority after the sale of GTA.
6. Applicants have sufficient financial resources to fund the sale transaction and to assist GTA in continuing to provide telecommunication services in Guam under the existing Certificates of Authority.
7. The sale or transfer of control of TeleGuam Holdings LLC to Purchaser TIIUSA is not contrary to the public interest.
8. The sale and/or transfer of control of TeleGuam Holdings, LLC from the AP Funds to TIIUSA will not adversely affect the ability of TeleGuam to continue to provide telecommunications services under its Certificates of Authority.
9. Authorization for Applicants to complete the sale or transfer of ownership and control, as granted herein, is subject to satisfaction by Applicants of certain conditions: (1) Applicants must satisfy all requirements of the Federal Communications Commission with regard to this transaction, complete all necessary proceedings required by the FCC, and obtain all necessary FCC approvals; (2) there must be material compliance with the terms and conditions of the Purchase and Merger Agreement, and the transaction completed in all material respects; (3) Purchaser must receive Section 214 Authorization from the FCC consenting to this transaction (FCC File No. ITC-T/C-20150612-00146 and WC Docket No. 15-148); (4) Once the proposed transaction is completed in all respects, Applicants shall continue to be subject to the terms, conditions and requirements of 12 GCA §12203, and all PUC rules, regulations and orders; (5) Applicants PTTI, PTTIL, and Purchaser TIIUSA must comply with their representations, made of record, in the CERTIFICATION STATEMENT filed on July 22, 2015, that they will comply with all terms and conditions of the Certificates of Authority presently held by TeleGuam Holdings LLC [GTA].

10. PUC approval of the sale and transfer of ownership and control, as granted herein, shall be final upon satisfaction by Applicants of all conditions in paragraph 9 above, and submission to the PUC of proof satisfactory to it that all such conditions have been satisfied.
11. TeleGuam Holdings, LLC, is ordered and directed to pay the PUC's regulatory expenses and fees in this docket.

Dated this 27th day of August, 2015.

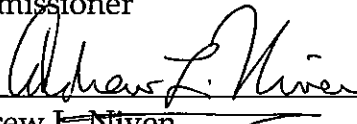


Jeffrey C. Johnson
Chairman




Joseph M. McDonald
Commissioner


Peter Montinola
Commissioner




Andrew L. Niven
Commissioner



Rowena E. Perez
Commissioner



Michael A. Pangelinan
Commissioner



Filomena M. Cantoria
Commissioner



BEFORE THE PUBLIC UTILITIES COMMISSION

IN RE:) **PAG DOCKET 15-05**
)
 PETITION FOR APPROVAL)
 OF OWNERS/AGENT) **ORDER**
 ENGINEERING SERVICES)
 AGREEMENT WITH)
 PARSONS BRINCKERHOFF.)
)

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the Petition filed by the Jose D. Leon Guerrero Commercial Port, Port Authority of Guam (“PAG” or the “Port”) on August 11, 2015, whereby PAG requests review and approval of its contract for Owners/Agent Engineering Services with Parsons Brinckerhoff (hereinafter referred to as either “Parsons” or the “Consultant”).

DETERMINATIONS

On May 28, 2015, PAG began the solicitation process for Owners/Agent Engineering services through publication of RFP No. PAG-015-001 Owner/Agent Engineer Services in the *Marianas Variety*.¹ The RFP sought professional services and technical support in the areas of design and engineering services, program management, financial consulting and analysis, and other related services for PAG. In general, the RFP sought services related to the following: assistance with PAG’s 5-Year Tariff Petition before the PUC; assistance with PAG’s Capital Program, to include assistance with

¹ Evaluation Analysis and Recommendation Re: RFP-015-001 Owner/Agent Engineer Services (“Evaluation Analysis and Recommendation”), p. 1 (July 6, 2015); Petition by PAG for Review and Approval of Owners/Agent Engineering Services with Parsons Brinckerhoff (“Petition”), p. 1 (August 11, 2015).

issuance of revenue bonds; implementation of a new Terminal Operating System by assisting with the TOS contract and task order negotiations; assistance with studies related to rate adjustments and PUC petitions; and technical services during the construction phase of the Marine Service Life Extension Project at the Port's wharfs.² In addition, the RFP further sought services related to assisting with MARAD/PMT sponsored projects, which include renovations to building spaces, linking all communications infrastructure, automating the Gate Complex, maintenance programs, securing security grants, and various infrastructure projects; as well as other tasks required by the Port.³

Proposals were accepted through June 12, 2015.⁴ Thereafter, PAG's Evaluation Committee met and reviewed the proposals submitted pursuant to the RFP.⁵ Two firms submitted proposals.⁶ The Evaluation Committee ultimately selected Parsons pursuant to the members' evaluation and ranking of the submitted proposals.⁷

On July 6, 2015, PAG's Procurement and Supply Manager provided the General Manager with the Evaluation Analysis and Recommendation related to the subject contract. It indicated that Parsons ranked the highest and was the best qualified offeror to perform the required services and, therefore, further recommended that Parsons be given the first opportunity to negotiate with PAG.⁸

² RFP, "Attachment 1," pp. 1-3.

³ RFP, "Attachment 1," pp. 4-5.

⁴ Petition, p. 1; Evaluation Analysis and Recommendation, p. 1.

⁵ Petition, p. 1; Evaluation Analysis and Recommendation, p. 1.

⁶ Evaluation Analysis and Recommendation, p. 1.

⁷ Evaluation Analysis and Recommendation, p. 2.

⁸ Evaluation Analysis and Recommendation, p. 2.

On July 22, 2015, PAG's Board of Directors approved the contract award to Parsons for the professional and technical services, and further authorized PAG management to petition the PUC for review and approval of PAG's proposed contract with Parsons.⁹

Under 12 G.C.A. §12004,¹⁰ the PUC must expressly approve any contractual agreements or obligations which could increase PAG's rates and charges. In addition, under PAG's Contract Review Protocol, "[a]ll professional service contracts in excess of \$1,000,000" "shall require prior PUC approval"¹¹

In its Petition, PAG requested that the PUC review and approve the proposed Professional Services Agreement between PAG and Parsons.¹² PAG maintained that the subject agreement is instrumental to PAG's mission.¹³ Submitted with the Petition was a copy of the RFP, which contained the proposed Professional Services Agreement, along with a copy of the Memorandum of Agreement between PAG and the Office of the Governor (the "MOA"), PAG Board Resolution No. 2015-06, and the Evaluation Analysis and Recommendation and Record of Fee Negotiations related to the subject contract. PAG submitted that through the MOA, the Office of Economic Adjustment has provided federal grant assistance in the amount of \$1,380,000 to fund the subject contract in order for PAG

⁹ PAG Board Resolution No. 2015-06, p. 1 (July 22, 2015).

¹⁰ Renumbered as 12 G.C.A. § 12105.

¹¹ Contract Review Protocol, PAG Docket 09-01, p. 1 (June 20, 2011).

¹² Petition, p. 1.

¹³ Petition, p. 2.

to complete “several components that are crucial to ensuring PAG’s financial sustainability.”¹⁴

PAG noted that the contract term is comprised of the following: a year-long initial term, with four (4) year-long options to renew, with the total contract term not to exceed five (5) years.¹⁵ In addition, PAG further noted that any amount that exceeds the federal grant amount will require prior approval or subsequent ratification by PAG’s Board of Directors.¹⁶ Also, the projects will be subject to the issuance of task orders, which shall be approved by PAG.¹⁷

The proposed Professional Services Agreement contained terms and conditions usually contained in PAG’s professional services agreements.

The initial term is for a period of one (1) year with four (4) year-long options to renew, not to exceed a total of five (5) years.¹⁸ Any such renewal is conditioned on the availability of appropriated or budgeted funds; and should no funds be appropriated or budgeted, then the contract may be terminated.¹⁹

Pursuant to the Scope of Services, the Consultant is required to assist PAG with the following: assistance with PAG’s 5-Year Tariff Petition before the PUC; assistance with PAG’s Capital Program, to include tasks associated with the issuance of revenue bonds; implementation of a new Terminal Operating System (“TOS”) by assisting

¹⁴ Petition, p. 1.

¹⁵ Petition, p. 2.

¹⁶ Petition, p. 2.

¹⁷ Petition, p. 2.

¹⁸ RFP, “Attachment 2” (“Proposed Contract”), p. 2.

¹⁹ Proposed Contract, p. 2.

PAG with the TOS contract and task order negotiations; assistance with studies related to rate adjustments and PUC petitions; and technical services during the construction phase of the Marine Service Life Extension Project at the Port's wharfs.²⁰ In addition, the Consultant will assist with MARAD/PMT sponsored projects, which include renovations to building spaces, linking all communications infrastructure, automating the Gate Complex, maintenance programs, securing security grants, and various infrastructure projects; as well as other tasks required by the Port.²¹

According to the Grant Application material, the following budget applies to the projects.

Technical Assistance Description	Calendar Year 2015	Calendar Year 2016
Mobilization	\$75,000	
5-Year Tariff Support	\$50,000	\$25,000
TOS/GOS Support	\$200,000	\$50,000
Support PUC Engagement Studies	\$40,000	\$40,000
Bond Issuance Support	\$20,000	\$20,000
SLE Support	\$200,000	\$0
Integrate/Coordinate MARAD/PAG PMP Initiatives & Cabras Island Coordination	\$400,000	\$260,000
Total by Calendar Year	\$985,000	\$395,000
Total Cost	\$1,380,000	

²⁰ RFP, "Attachment 1," pp. 1-3.

²¹ RFP, "Attachment 1," pp. 4-5.

In the MOA between the Governor's Office and PAG, the parties found the following. PAG is presently "undertaking a major Modernization Program"; and that "the scale and complexity of this effort is unprecedented" and "requires considerable technical expertise."²² PAG requested through the Office of the Governor for funding assistance from the Office of Economic Adjustment to support ongoing technical services crucial to PAG financial stability; and in turn, the Office of Economic Adjustment approved PAG's request and awarded assistance in the amount of \$1,380,000.²³ The grant allows PAG to retain "professional consultants, in the form of an 'Owner's Agent Engineer' to obtain the expertise in a number of different engineering and management disciplines to deal with challenges associated with the military buildup and port modernization."²⁴

Pursuant to the MOA, PAG is required to monitor and manage the scope of work, timelines, and the Consultant's deliverables; and must provide the Office of the Governor with quarterly performance reports and invoices related to the Consultant's work.²⁵ PAG is further required to provide the Office of the Governor with requested deliverables, as well as comply with all federal grant award terms, conditions, and reporting requirements.²⁶ The Office of the Governor, on the other hand, will assist PAG by providing PAG with direction relating to requirements under the MOA.²⁷ The Office of the Governor will also work with PAG on task order updates, participate in meetings,

²² MOA, p. 1.

²³ MOA, p. 1.

²⁴ MOA, p. 1.

²⁵ MOA, p. 2.

²⁶ MOA, p. 2.

²⁷ MOA, p. 2.

review all reports or deliverables submitted by PAG and the Consultant, as well as manage all federal grant award reporting requirements.²⁸

With respect to payments, under the MOA, PAG will submit invoices from the Consultant to the Office of the Governor; the Office of the Governor will then reimburse PAG for expenditures associated with the Consultant's work.²⁹ Any fee outside the scope of work but negotiated with the Consultant will not be reimbursed unless prior written approval is obtained by the Office of the Governor and the Office of Economic Adjustment.³⁰ The MOA was executed by the Governor's Chief of Staff, BBMR, the AG's Office, and PAG.

On July 22, 2015, PAG's Board of Directors issued Resolution No. 2015-06. In the Resolution, the Board found that PAG and the Office of the Governor entered into an MOA whereby the Office of Economic Adjustment would provide federal grant assistance to PAG in the amount of \$1,380,000 to fund professional and technical services related to the completion of critical components that would ensure PAG's financial stability.³¹

On July 22, 2015, the Board approved the contract award to Parsons for the professional and technical services, and further authorized PAG management to petition the PUC for review and approval of PAG's proposed contract with Parsons.³²

²⁸ MOA, p. 2.

²⁹ MOA, p. 2.

³⁰ MOA, p. 2.

³¹ PAG Board Resolution No. 2015-06, p. 1 (July 22, 2015).

³² PAG Board Resolution No. 2015-06, p. 1 (July 22, 2015)

On August 25, 2015, the Administrative Law Judge of the PUC Joepheth R. Alcantara (the "ALJ") filed an ALJ Report regarding the Petition which included his findings and recommendations based on the administrative record before the PUC.

In his August 25, 2015 ALJ Report, the ALJ found that, based on the information provided by PAG, the terms and conditions of its professional services agreement with Parsons appeared commercially reasonable and not burdensome. The ALJ noted that the MOA between PAG and the Office of the Governor commits funds to PAG to complete the projects discussed in the ALJ Report and that such funding relieves ratepayers of any negative impact. The ALJ ultimately found that the subject contract, with its costs, terms and conditions, was reasonable. Accordingly, the ALJ recommended that the PUC approve the Professional Services Agreement between PAG and Parsons Brinckerhoff.

The Commission hereby adopts the findings made in the August 25, 2015 ALJ 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. That PAG's Professional Services Agreement for Owners/Agent Engineering Services with Parsons Brinckerhoff is hereby APPROVED at a cost of \$1,380,000.00; and

2. PAG is ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with this docket. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b) and 12024(b) (renumbered as 12 G.C.A. §§ 12103(b) and 12125(b)), and Rule 40 of the Rules of Practice and Procedure before the PUC.


SO ORDERED this 27th day of August, 2015.



JEFFREY C. JOHNSON
Chairman




JOSEPH M. MCDONALD
Commissioner



ROWENA E. PEREZ
Commissioner

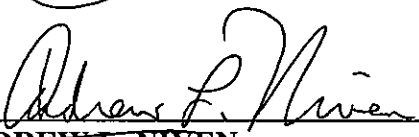


FILOMENA M. CANTORIA
Commissioner



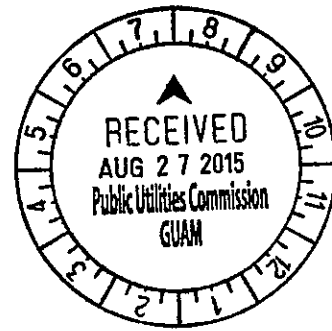
MICHAEL A. PANGELINAN
Commissioner

PETER MONTINOLA
Commissioner



ANDREW L. NIVEN
Commissioner

P153040.JRA



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

GPA Demand Side Management

) GPA Docket ~~13-14~~ ¹⁵14

)

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) ORDER

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INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Letter Report of Guam Power Authority ["GPA"] and Lummus Consultants [PUC Consultant], which recommends that PUC approve the use of funds from the Working Capital Fund ["WCF"] to pay for certain expenses of GPA's Demand Side Management (DSM) Program.¹
2. The funds withdrawn from the WCF would be placed in a separate GPA fund known as the "Energy Sense" Fund. That Fund would only be used to pay for approved DSM program expenses.²
3. The Letter Report of the Parties on Proposed DSM Funding Approach has been filed in this Docket and is incorporated herein by reference.³

BACKGROUND

4. On February 26, 2015, the PUC ordered that GPA implement four DSM and EE Programs (Central AC, Ductless AC, Washer, and Dryer) no later than July 31, 2015.⁴ To date, the programs have not yet been implemented.
5. GPA was also ordered to provide a DSM & EE Plan and Report to the PUC that included additional DSM & EE measures for implementation, and a recommendation for a longer term funding source, no later than August 25, 2015.⁵

¹ Guam Power Authority and Lummus Consultants Letter Report on Proposed DSM Funding Approach, GPA Docket 13-14, dated August 21, 2015.

² Id. at p. 1.

³ Guam Power Authority and Lummus Consultants Letter Report on Proposed DSM Funding Approach, GPA Docket 13-14, dated August 21, 2015.

⁴ PUC Order, GPA Docket 13-14 dated February 26, 2015, at Ordering Provision No. 3, pg. 4.

⁵ Id. at pgs.4-5.

6. In the Letter Report, Lummus Consultants and GPA have proposed a temporary funding source for the DSM Program. Previously the Parties had discussed the possibility of funding the DSM Program through a continuation of the Working Capital Fund Surcharge. However, GPA removed the WCF Surcharge as a potential funding source for DSM by recently announcing through a press release that the WCF Surcharge would be “deactivated” on September 30, 2015.⁶
7. The Parties now suggest that the Working Capital Fund may appropriately be used as a temporary, and perhaps a one-time, funding source for DSM. As a result of a reduction in operations and maintenance expenditures by GPA, the balance requirement of the WCF [in accordance with the Bond Indenture], as of October 1, 2015, will be \$26,871,000, when the budget for Fiscal Year 2016 is approved by the CCU for Fiscal Year 2016.⁷
8. However, the total actual balance of the WCF, as of December 31, 2015, will be \$34,878,000. Thus, the Working Capital Fund will have an excess balance of \$8,107,000.⁸
9. The original intended purpose of the WCF Surcharge was to recover from ratepayers the interest and debt service costs of a 2010 Subordinate Bond Issuance used to fill the WCF account to the required level.⁹
10. Although GPA has already ordered the “deactivation” of the WCF Surcharge, when the WCF Surcharge ends on September 30, 2015, GPA will have spent more on Subordinate Bond debt service than it has recovered from ratepayers through the surcharge; i.e., GPA will have “under-recovered” an amount of \$1,806,014. Thus, GPA will not have been fully reimbursed by ratepayers for the costs of the Bond Issuance.¹⁰
11. Given the anticipated excess in the WCF balance for Fiscal Year 2016, which is the result of a decreased balance requirement, the Parties agree that it is appropriate to withdraw an amount of \$1,806,014 from the WCF to reimburse GPA for the

⁶ GPA Press Release, GPA TO DEACTIVATE SURCHARGES, issued August 1, 2015.

⁷ Guam Power Authority and Lummus Consultants Letter Report on Proposed DSM Funding Approach, GPA Docket 13-14, dated August 21, 2015, at p. 1.

⁸ See supporting calculations set forth in Attachment A to the Letter Report.

⁹ Letter Report, Id., at p. 1.

¹⁰ Supporting calculations are included in Attachment B to the Letter Report.

amounts which have not been previously been reimbursed by ratepayers under the WCF Surcharge.¹¹

12. The funds withdrawn from the WCF will be earmarked for the sole purpose of funding DSM Program as set forth herein and subsequently agreed to. The amount of \$1,806,014 should only be used on DSM programs, including those subsequently approved by the Parties, until it is exhausted. Once that amount is exhausted, the Parties will need to agree upon and seek to put into place a further mechanism and source of funding for future DSM activities.¹²
13. The identified funds of \$1,806,014 from the WCF shall be placed by GPA into a separate new account known as “Energy Sense Fund”, which will be used by GPA to support timely funding of direct DSM Program costs. The Energy Sense Fund account will not be used by GPA to fund non-DSM Projects.¹³
14. The Letter Report requires that GPA provide to PUC an annual DSM accounting and reconciliation report. This report will identify Program implementation or reporting modifications that may be necessary for each upcoming program year.¹⁴
15. Included within the Letter Report are a “Cost Recovery Matrix” [which describes an identified list of DSM or EE cost categories and how each will be recovered, tracked and allocated], and a protocol governing program matters such as monitoring, verification, and reconciliation.¹⁵
16. On August 25, 2015, the Guam Consolidated Commission on Utilities approved the use of funding for DSM from the Working Capital Fund in the amount of \$1,806,014.¹⁶

DETERMINATIONS

16. The Attachments supplied by the Parties indicate that GPA will have under-recovered an amount of \$1,806,014 from rate payers through the WCF surcharge.

¹¹ Letter Report, Id., at p. 1.

¹² Id at pgs. 1-2.

¹³ Id at p. 2.

¹⁴ Id at p. 2.

¹⁵ Id at p. 3.

¹⁶ Guam Consolidated Commission on Utilities Resolution No. 2015-41, Authorizing Management of Guam Power Authority to Provide DSM Funding from the Working Capital Fund, adopted August 25, 2015.

Unless action is taken by the PUC, GPA will under-recover its interest and debt service costs on the proceeds from the 2010 Subordinate Bond Issuance which were used to fill the WCF account.

17. It is appropriate to use funds from the excess in the balance of GPA's Working Capital Fund to reimburse GPA for the shortfall in recovery from ratepayers under the WCF Surcharge for the interest and debt service costs of the 2010 Subordinate Bond Issuance.
18. GPA should be allowed to withdraw the sum of \$1,806,014 from the WCF and to place such amount in the Energy Sense Fund. Such funds shall not be used for any purpose other than the DSM program, and shall only be used for projects and costs which have been approved by the PUC.
19. The recommendations in the Letter Report are reasonable and constitute an appropriate method of carrying out the DSM program. Such recommendations are reasonable and should be approved by the PUC, including the following: the initial funding source for DSM; implementation of the DSM projects; the creation of a new "Energy Sense Fund"; proposed DSM accounting and reconciliation report procedures; the Cost Recovery Matrix, and the Monitoring, Verification and Reconciliation protocols, as well as the other protocols and procedures agreed to.

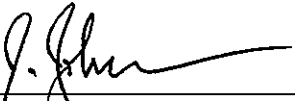
ORDERING PROVISIONS

After review of the record herein and the Letter Report on Proposed DSM Funding Approach, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA is authorized to withdraw a sum of \$1,806,014 from the Working Capital Fund as reimbursement for interest and debt service costs on the 2010 Subordinate Bond Issuance. Said sum was not recovered from ratepayers under the WCF Surcharge.
2. The sum of \$1,806,014 shall be placed in a separate account known as the Energy Sense Fund. Said funds shall only be used by GPA for the DSM Program and projects specifically approved by the PUC, in accordance with the recommendations and protocols set forth in the Letter Report.

3. The recommendations in the Letter Report, including: the initial funding source for DSM; implementation of the DSM projects; the creation of a new "Energy Sense Fund"; proposed DSM accounting and reconciliation report procedures; the Cost Recovery Matrix; the Monitoring, Verification and Reconciliation protocols; and all other protocols and procedures agreed to; are approved.
4. The Parties shall proceed to implement the recommendations contained in the Letter Report. They shall continue to work on and finalize the long term DSM & EE Report mandated by the February 26, 2015, Order.
5. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of 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 27th day of August, 2015.



Jeffrey C. Johnson
Chairman

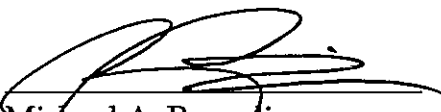


Joseph M. McDonald
Commissioner




Rowena E. Perez
Commissioner

Peter Montinola
Commissioner



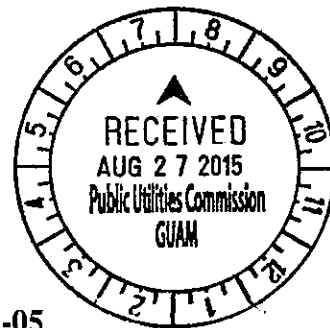
Michael A. Pangelinan
Commissioner



Andrew L. Niven
Commissioner



Filomena M. Cantoria
Commissioner



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN RE: PETITION FOR APPROVAL)
OF PROPOSED BID FOR)
CHEMICALS REGARDING)
NORTHERN DISTRICT)
WASTEWATER TREATMENT)
PLANT AND THE HAGATNA)
WASTEWATER TREATMENT)
PLANT.)

GWA DOCKET 15-05

ORDER

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the July 30, 2015 Petition for Approval of GWA’s Proposed Bid for Chemicals Regarding the Northern District Wastewater Treatment Plant and the Hagatna Wastewater Treatment Plant (the “Petition”), filed by the Guam Waterworks Authority (“GWA”).

DETERMINATIONS

On July 30, 2015, GWA filed its Petition for Approval of GWA’s Proposed Bid for Chemicals Regarding the Northern District Wastewater Treatment Plant and the Hagatna Wastewater Treatment Plant under the Contract Review Protocol. On August 24, 2015, the Administrative Law Judge of the PUC Joseph R. Alcantara (the “ALJ”) filed an ALJ Report regarding the Petition which included his findings and recommendations based on the administrative record before the PUC.

In his August 24, 2015 ALJ Report, the ALJ found that GWA’s use of a multi-year contract for the purchase of inorganic coagulant, flocculant aid/coagulant aid,

and sludge dewatering cationic polymer is reasonable and necessary given that these chemicals are indispensable and required for GWA's daily wastewater operations. The ALJ further found that GWA provided adequate documentation to support the procurement of these chemicals, which it requires to operate its Northern District Wastewater Treatment Plant (NDWWTP) and Hagåtña Wastewater Treatment Plant (HWWTP), and keep GWA in compliance with federal laws, permits and federal guidelines. Accordingly, the ALJ recommended that GWA should be authorized to proceed with the procurement related to the purchase of inorganic coagulant, flocculant aid/coagulant aid, and sludge dewatering cationic polymer as set forth in the proposed Invitation to Bid.

The Commission hereby adopts the findings made in the August 24, 2015 ALJ Report, and therefore, issues the following:

ORDERING PROVISIONS

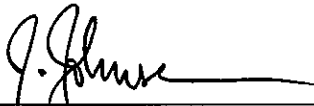
Upon careful consideration of the record herein, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS the following:

1. That GWA is authorized to proceed with the procurement related to the purchase of inorganic coagulant, flocculant aid/coagulant aid, and sludge dewatering cationic polymer as set forth in the proposed Invitation to Bid.

2. GWA is ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with this docket. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b) and 12024(b) (renumbered as 12 G.C.A. §§

12103(b) and 12125(b)), and Rule 40 of the Rules of Practice and Procedure before the PUC.


SO ORDERED this 27th day of August, 2015.



JEFFREY C. JOHNSON
Chairman



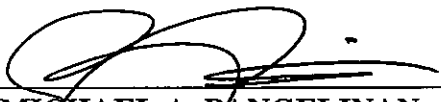
JOSEPH M. MCDONALD
Commissioner



ROWENA E. PEREZ
Commissioner

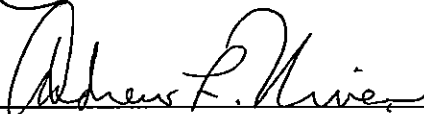


FILOMENA M CANTORIA
Commissioner



MICHAEL A. PANGELINAN
Commissioner

PETER MONTINOLA
Commissioner



ANDREW L. NIVEN
Commissioner

P153036.JRA



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

PETITION TO AUTHORIZE GWA TO) GWA DOCKET 15-07
USE THE REMAINING BALANCE OF)
THE FUNDS REQUESTED FOR PMO)
WORK ORDER NUMBER 2014-11 TO) ORDER
MANAGE THE U.S. EPA'S STATE)
REVOLVING FUND PROJECTS AND)
FOR AN ADDITIONAL \$5.3M IN)
ADDITIONAL FUNDING FOR)
VARIOUS IMPORTANT PROJECTS)

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the "PUC" or the "Commission") pursuant to the Petition for approval of \$544,925 for State Revolving Fund ("SRF") Grant Project Support, and a \$5,303,145 increase in the Program Management Office ("PMO") contract with Brown & Caldwell, filed by the Guam Waterworks Authority ("GWA") on August 5, 2015.

DETERMINATIONS

Pursuant to 12 G.C.A. §12004,¹ 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

¹ Renumbered as 12 G.C.A. § 12105.

obtained before the procurement process is begun”² GWA must also seek PUC’s approval for any uses of bond funds.³

GWA maintained that it continues to “need help relative to compliance with the November 2011 Court Order (‘Court Order’), for matters contained in the Stipulation attached to PUC’s Order approving GWA’s 5 Year rate plan covering FY2013-FY2018, . . . SRF project management, planning such as the update to GWA’s Master Plan, creation of a facilities plan for the Hagatna and Northern District Wastewater Treatment Plants [“WWTPs”] to be used relative to the U.S. E.P.A. secondary treatment negotiations and to create the ‘Consulting Engineer’s Report’ which is required to be provided in conjunction with the issuance of bonds.”⁴ GWA submitted that “the current request is consistent with GWA’s Five-Year Plan since the work covered under this request will occur in CY2015 and after.”⁵ It appeared that GWA needs the continued support of the PMO in order for it to be successful in its compliance efforts.

With respect to SRF project management, GWA submitted that “[d]ue to limited manpower within GWA engineering, GWA has been working with the PMO to implement 10 SRF funded grant project[s] related to Work Authorization 2014-11.”⁶

² GWA’s Contract Review Protocol (“GWA CRP”), Administrative Docket 00-04, p. 1 (Oct. 27, 2005).

³ *Id.*

⁴ Petition to Authorize the Guam Waterworks Authority to Use the Remaining Balance of the Funds Requested for PMO Work Order Number 2014-11 to Manage the USEPA’s State Revolving Fund Projects and for an additional \$5.3M in Additional Funding for Various Important Projects (“Petition”), p. 3 (August 5, 2015).

⁵ Petition, p. 3.

⁶ Petition, p. 5.

GWA added that the PMO has been a “tremendous benefit to GWA through subject matter expertise for all aspects of utility services provided by GWA, including procurement, design, construction, operations, maintenance, and funding”; and that the PMO “has helped GWA make significant progress over the years regarding issues or projects related to the 2011 Court Order as well as projects associated with the U.S. E.P.A. [the “EPA”] SRF.”⁷ GWA requested that the remaining balance of \$544,925 reserved by the PUC’s December 29, 2014 Order in GWA Docket 13-01 be released to continue the PMO’s work with project management assistance related to the EPA’s SRF grant projects.⁸

The list of SRF projects to be managed by the PMO concerns the following: (1) Route 1 Sewer Line Upgrade in the Asan-Adelup Area; (2) Route 2 Sewer Line Upgrade in the Agat War in the Pacific National Park Area; (3) Route 4 Sewer Line Upgrade in the Hagatna-Sinajana Area; (4) Well Rehabilitation Project for Wells D-03, D-17, D-18, D-22, and M-09; (5) Well Rehabilitation Project for Wells F-03, F-20, A-07, A-12, and M-17A; (6) SSES Based Collection System Improvements in Agat and Santa Rita; (7) SSES Based Collection System Improvements in Umatac and Malesso; (8) SSES Based Collection System Improvements in Baza Gardens and Talofoto; (9) Tumon San Vitores Hot Spots project; and (10) Tamuning Hot Spots project.⁹ As indicated by GWA, the funding source for the PMO’s management of these projects will be the SRF grant.

In addition, GWA further sought to amend its contract with Brown & Caldwell in order to increase the amount of the contract by \$5,303,145. GWA submitted

⁷ Petition, p. 5.

⁸ Petition, p. 5.

⁹ Petition, p. 4.

that utilizing the PMO “will save GWA significant sums of money since the PMO is already familiar with GWA’s system” since Brown & Caldwell developed the original Master Plan in 2006, as well as the Consulting Engineers Reports for GWA’s bond issuances.¹⁰ GWA maintained that “if any other firm was hired to perform such work, GWA’s fees for the same scope of work would undoubtedly be higher since any firm unfamiliar with GWA’s system and its finances would have to essentially ‘start from scratch’ as opposed to updating existing data.”¹¹ GWA further submitted that the funding source of these additional projects will be from the 2010 and 2013 bond proceeds.

The following projects have been identified by GWA as requiring additional PMO funding: (1) Program Management Support relative to helping GWA meet critical deadlines under GWA’s Capital Management Plan at an estimated cost of \$894,882.00; (2) Solids Disposal Odor Assessment relative to sludge causing nuisance odor problems at Government of Guam’s Layon landfill at an estimated cost of \$140,420; (3) Consulting Engineer’s Report for 2015 Series Revenue Bonds at an estimated cost of \$197,790; (4) Facility Plan for Northern District and Hagåtña Wastewater Treatment Plants to define the technical requirements for facility upgrades to meet secondary treatment permit requirements at an estimated cost of \$975,385; (5) Master Plan Update for 2006 Master Plan at an estimated cost of \$2,623,300; and (6) Source Control Program Technical Support at an estimated cost of \$471,368.

¹⁰ Petition, p. 6.

¹¹ Petition, p. 6.

On August 26, 2015 the Administrative Law Judge of the PUC Joepheth R. Alcantara (the “ALJ”) filed an ALJ Report regarding the Petition which included his findings and recommendations based on the administrative record before the PUC.

With respect to GWA’s request for authority to utilize \$544,925 for the PMO to support and manage SRF grant projects, the ALJ found that the PUC has already reviewed the related Work Authorization in a prior review, but reserved \$544,925 in an effort to monitor the GWA and the PMO’s progress. Back in December, 2014, Lummus recommended that the PUC approve funding for the first year of this project, and then revisit approval of the second half of the project after an evaluation of eleven (11) months of progress and results. In its December 29, 2014 Order, the PUC reserved \$544,925 upon the PUC’s review of the project after eleven (11) months. Based on the record, the ALJ found that GWA has made a sufficient showing that the reserved funds should now be released so that the PMO can continue to manage the EPA funded projects listed in Part B of the ALJ Report.

The ALJ further found that the EPA has indicated in an email to the PUC that it is “sympathetic” to the PUC’s preference that GWA hire its own skilled professionals for its engineering needs instead of hiring an outside consultant.¹² However, the EPA expressed that “GWA needs to move expeditiously implementing and completing EPA grant funded projects” and “approve the use of the PMO funds as quickly as is possible.”¹³ The EPA noted that “GWA has seen a significant improvement in its ability to

¹² Email from Thomas Konner, U.S. E.P.A. to the PUC, Re: Approval of GWA’s PMO Funding for EPA Funded Projects (July 1, 2015) (“Konner Email”).

¹³ Konner Email.

plan, develop and implement infrastructure projects but it needs continued technical assistance to manage the increased workload properly”; and that this scenario is “understandable given the challenges associated [with] finding and retaining qualified engineers in the Pacific Island Territories.”¹⁴ In sum, the EPA approves of the PMO’s management of these EPA funded projects listed above.¹⁵

Additionally the ALJ found that, as GWA has indicated, the SRF grant would fund this work, and therefore would not result in any negative impact to ratepayers.¹⁶

With respect to the other significant projects that require PUC approval for additional funding for the PMO contract, based on the record, the ALJ found that the additional funds for the Consulting Engineer’s Report for 2015 Series Revenue Bonds, and the project for Facility Plan for Northern District and Hagåtña WWTPs, are critical and necessary in order for GWA to meet the deadlines imposed by the federal Stipulated Order, as well as to secure funding for more capital improvement projects.

Based on the documents submitted by GWA, the purpose of the Consulting Engineer’s Report for 2015 Series Revenue Bonds is to assess GWA’s capital needs and its financial ability, which will provide an assessment for bondholders prior to the sale of the bonds, and which will be used for GWA’s Official Statement of Revenue in its bond documents.¹⁷ It appeared that GWA must produce this report by the end of this year.¹⁸ In

¹⁴ Konner Email.

¹⁵ See Konner Email.

¹⁶ Petition, pp. 5-6.

¹⁷ Summary of PMO Contract Amendment No. 5.

fact, based on the sample timeline provided by GWA, it appeared that GWA plans on finalizing closing documents by mid-December.

The ALJ further found that, with respect to the facility plans for the WWTPs, this project will define the technical requirements for facility upgrades to the WWTPs.¹⁹ This project will involve flow assessments, assessments of liquid treatment options, assessments of solids treatment options, facility layouts, opinions on construction and operational costs.²⁰ This project will also provide GWA with strategy for negotiations with the EPA on secondary treatment timelines.²¹ GWA maintained that its “ability to negotiate secondary treatment with the U.S. E.P.A. in an effective manner may be severely compromised unless the facilities plan is delivered in a timely manner.”²²

The ALJ found that it did not appear that the increase requested in the Petition will have a negative impact on rates since, as GWA has indicated, the source of funding would be the 2010 and 2013 bond proceeds.²³ GWA has already petitioned the PUC for reprogramming of its 2013 bond funds.

The ALJ recommended that the PUC approve the instant petition, but only for the amount of \$1,173,175, sufficient to cover the Consulting Engineer’s Report for the 2015 Revenue Bonds, and the facility plans for the Northern District and the Hagatna

¹⁸ Summary of PMO Contract Amendment No. 5.

¹⁹ Summary of PMO Contract Amendment No. 5.

²⁰ Summary of PMO Contract Amendment No. 5.

²¹ Summary of PMO Contract Amendment No. 5.

²² Petition, p. 7.

²³ Petition, p. 6.

WWTPs. The ALJ further recommended the release of \$544,925 previously reserved by the PUC. Accordingly, at this time, the ALJ recommended that GWA may increase its contract price with Brown & Caldwell, not to exceed \$1,718,100.

With respect to the other projects, the ALJ further recommended that GWA should file work authorizations, which should include descriptions of the projects, more detailed deliverables, schedules, timeframes and deadlines, as well as a breakdown of cost estimates. Finally, the ALJ recommended that GWA should continue to provide the PUC with monthly PMO reports.

The Commission hereby adopts the findings contained in the August 26, 2015 ALJ Report and, therefore, issues the following:

ORDERING PROVISIONS

After careful review and consideration of the above determinations, the August 26, 2015 ALJ Report, and the record herein, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission hereby ORDERS the following:

1. That GWA's August 5, 2015 Petition for a \$5,303,145 increase in the Program Management Office contract with Brown & Caldwell is APPROVED for the amount of \$1,718,100, and that approval of the remaining amount will be considered upon GWA's submission of work authorizations discussed in the following Ordering Provision.

2. That GWA file with the PUC work authorizations related to the other projects, which should include descriptions of the projects, more detailed deliverables, schedules, timeframes and deadlines, as well as a breakdown of cost estimates.

3. That GWA shall continue to provide the PUC with monthly PMO reports generated by Brown & Caldwell to track project performance and progress.

4. GWA is 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 proceeding. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§12002(b), 12024(b) (renumbered as 12 G.C.A. §§ 12103(b) and 12125(b)), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

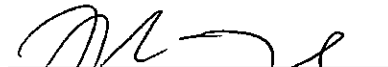
SO ORDERED this 27th day of August, 2015.



JEFFREY C. JOHNSON
Chairman




ROWENA E. PEREZ
Commissioner



JOSEPH M. McDONALD
Commissioner



FILOMENA M. CANTORIA
Commissioner



MICHAEL A. PANGELINAN
Commissioner



PETER MONTINOLA
Commissioner



ANDREW L. NIVEN
Commissioner