

GUAM PUBLIC UTILITIES COMMISSION  
REGULAR MEETING  
April 28, 2016  
SUITE 202, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:42 p.m. on April 28, 2016, pursuant to due and lawful notice. Commissioners 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 Chairwoman announced that the first item of business on the agenda was approval of the minutes of March 31, 2016. Upon motion duly made, seconded and unanimously carried, the Commission approved the minutes subject to correction.

**2. Guam Telephone Authority**

The Chairwoman announced that the next item of business on the agenda was Teleguam Holding, LLC, GTA Docket 15-06, GTA's Petition for Rehearing, ALJ Recommendation, and Proposed Order. ALJ Horecky indicated that he has filed a Report in this matter. GTA moved for a rehearing. Its primary emphasis is on Section 8.1 of the ICA. That provision provides that GTA shall not be required to provide, and PDS shall not request or obtain unbundled access to any dark fiber facility that does meet the definition of Dark Fiber Transport.

The next sentence in the provision proceeds as follows: "Notwithstanding any other provision of this agreement, GTA Tariff or otherwise, GTA shall not be required to provide and PDS shall not request or obtain Dark Fiber Transport that does not connect a pair of GTA UNE wire centers."

The prior Order of the Commission is that GTA had a contractual obligation to provide Dark Fiber IOF to PDS. The ALJ continues to believe that GTA did agree as a contractual obligation to provide Dark Fiber IOF to PDS. He believes that finding is correct. But the focus is upon the provision that GTA shall not be required to provide and PDS shall not request or obtain Dark Fiber Transport that does not connect a pair of GTA UNE wire centers. Now there is only one wire center.

The service that is currently provided is not between two wire centers. Based upon §8.1 it is possible that the contractual obligation is affected by this provision, which says that GTA is not required to provide Dark Fiber that does not connect a pair of wire centers notwithstanding any other provision of the agreement. It is possible to suggest that,

even were there a contractual obligation and other provisions of the agreement, §8.1 would say that nonetheless there is no obligation to provide Dark Fiber.

However, this observation may not necessarily change the outcome of the case. The ALJ did find additional materials in Docket 05-11 which suggest that the obligation to provide colocation facilities and fiber transport are definitely interrelated. GTA did agree to provide such facilities in Docket 05-11.

It may be that only the name of the service and not the result is changed. However enough of an issue is raised that the ALJ has to be open minded and consider what the effect would be. There should be a limited rehearing, to consider specific issues.

GTA is attempting to change the pricing here substantially. The FCC has established remedies through the "TRRO" to provide carriers with a chance to make other arrangements when Dark Fiber Transport is no longer provided. The ALJ wishes to reconsider whether remedies similar to the TRRO would be applicable here. The ALJ's general recommendation is that there be a limited rehearing to address the issues referenced in his Report. The Order proposed would give the ALJ discretion to determine how much testimony is necessary in the rehearing.

Ms. Elyze Iriarte, attorney for GTA, thanked the ALJ for his analysis of the Petition for Rehearing; GTA agrees with the limited nature of the rehearing. The major issues are: (1) §8.1; (2) Pricing Attachment and Exhibit A to the ICA; and (3) the inapplicability of the TRRO.

Commissioner Pangelinan asked the ALJ as to whether the non-waiver issue in the Petition would be discussed. The ALJ indicated that issue was part and parcel of the §8.1 issue. The issue would become moot if a different interpretation of §8.1 were adopted.

Mr. John Day of Pacific Data Systems indicated his belief that the ALJ's original decision was correct. PDS does not have a problem with broadening the record in the proceeding, as the ALJ stated. The foundation of the original decision is sound. GTA has a history of exercising its legal remedies as far as it can. This process is very expensive, and PDS must engage lawyers and consultants. The PUC's costs are split. PDS would like to keep the engagement as limited as possible. They are now also in the middle of the TELRIC Docket. It would be difficult for the parties to devote a lot of resources to this rehearing.

PDS does understand the logic behind the ALJ's reasoning. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the ALJ Report and his recommendation for limited rehearing in this matter. The Commissioners adopted the Order made in *Attachment "B"* hereto.



### **3. Guam Waterworks Authority**

The Chairwoman indicated that the next item of business was GWA Docket 16-02, Petition for Approval of Use of Additional 2015 Bond Proceeds, ALJ Report, and Proposed Order. Counsel indicated that ALJ Alcantara had asked him to make the presentation. The original bond issue was over \$160M. GWA was expecting approximately \$129M as actual proceeds arising out of the bond issuance. Due to fortuitous events, such as a low interest rate, the full amount available to GWA was closer to \$140M. Therefore, an excess amount in bond proceeds of over \$11,500,000 suddenly became available to GWA.

GWA Counsel determined that, since there were additional bond funds, the matter has to be brought to the PUC to authorize the use of such funds. In its Petition, GWA has decided that it would apply the additional bond funds to different existing bond projects. Those include such projects as leak detection, potable water system planning, additional PMO work authorizations, the water audit program, water loss control and the modernization of the laboratory.

About \$3M would go into the Agat/Santa Rita sewage treatment plant replacement and \$3M into the Baza Garden sewage treatment plant replacement. The bulk of the money, about \$6M, is for those two projects. It is anticipated that, in 2018, GWA will again go out for bonds. The funds for the last two projects mentioned may reduce the amount of the bond issuance needed in 2018.

The ALJ has recommended that the PUC approve this request for the additional bond funds for the projects indicated. The ALJ has addressed the individual projects and the amounts that are allocated for each. The allocations are for projects that have been approved and need funds.

Commissioner Cantoria asked whether, after all these investments, has GWA improved the water rate loss. Miguel Bordallo, General Manager of GWA, indicated that the updated water audit had not been completed. GWA is in the process of doing that. The preliminary numbers, however, indicate that GWA has reduced the water loss rate. GWA is still verifying the numbers in the revised water audit. GWA is still in the 40%-50% water loss range. Before the loss may have been higher than 50%. Preliminary indications are that water loss has been reduced.

Commissioner Cantoria asked whether the additional bond funds should be spread out among projects, or focused on what is important--the water loss. She asked whether GWA knew what was causing the water loss. Mr. Bordallo indicated that GWA was still in the process of implementing its line replacement projects throughout the island.

A lot of the losses are related to the inherited infrastructure for concrete pipes which are reaching their useful service life. The projects in GWA's CIP will address those issues as GWA moves forward. Some of the bond funding from the most recent borrowing



will address these issues. GWA is cleaning up its unmetered connections. GWA obtained a more favorable interest rate; it is using these bond funds to avoid future borrowing.

Commissioner Cantoria stated that this was her third term with the Commission. When she finishes this term she will have worked with the Commissioner for 18 years. The first day when she heard about the GWA problem, she found out that GWA does not know where the pipes are because it didn't make a plan for where the water was going and where the pipes were located. She wondered whether we now know where the water is going. Or is it that we are losing water because GWA doesn't know where the pipes are leading the water to?

GM Bordallo indicated that leak repairs are made, GWA crews keep track of where the pipes are, and it compares that against the records in GWA's GIS system. The system is updated continuously. We address issues, we find out where the pipes are. GWA is correcting situations where it did not previously know where the pipes were. GWA has made good strides in updating the information it has. It knows more now than before. Also the nature of the system is that there will always be leaks and water loses.

The best approach is to keep good records and cut down the number of days it takes to respond and repair the leaks. GWA is making progress in that area as well. GWA reports to the CCU on this every month. GWA is making a concerted effort to tackle the number of back logged leaks, to reduce that number by 50% in the next month.

Ms. Cantoria again asked whether there should be more money for the water leaks, so that GWA does not have to spread the \$11M around. GM Bordallo indicated that different issues must be addressed including the Court Order. Rather than putting all of the money into one particular project, GWA is putting more where it thinks it needs it. It needs funding to address other issues.

The Chairwoman Perez asked whether PUC had received the requested information for GWA concerning bonds. GM Bordallo indicated that in this Petition only the projects and funding for the additional \$11M were submitted. The Chairwoman asked whether GWA could take this windfall and look at giving the ratepayers some relief. She wondered what happened to that option.

GM Bordallo indicated that, at the time of the bond sale, if GWA had kept its original proceeds target at the same level, the total cost of the financing would have been less. However, GWA still needs to go out for bonds in 2018. The interest rates for future bonds may not have been as favorable as GWA is receiving now.

The decision was made by GWA, rather than to keep the original proceeds since GWA would have needed additional borrowing at a later time, to take advantage of the lower rates and move some of the borrowing up into the current bonds. The decision was made to borrow the additional \$11M.



The Chairwoman asked what the final interest rate was. Greg Cruz, CFO of GWA, stated that the coupon rate is 5%. However the "All-In true interest cost "is around 4.5%." That helped reduce the interest cost to GWA.

The Chairwoman asked what GWA's current bond rating was. CFO Cruz indicated that GWA is investment grade. Standard and Poors has had GWA as investment grade since 2013. Last year Fitch and Moody's upgraded GWA to investment grade. Now it is investment grade with all three agencies.

The Chairwoman asked what was GWA's current letter investment grade. CFO Cruz indicated it was A-. The Chairwoman asked why GWA wouldn't lower the capitalized interest rate so it doesn't hit the ratepayers as hard. What is the capitalized interest rate, for one or two years? Counsel indicated that it was for two years. The Chairwoman asked whether the two year capitalized interest rate was brought to the CCU's attention. GM Bordallo indicated that it was.

The CCU made the decision to take advantage of the lower interest rate, to borrow more without changing the total cost of the borrowing. This was done rather than to go for the original amount and lower the total cost of the borrowing. The Chairwoman asked what amount GWA was anticipating borrowing in 2018. GM Bordallo indicated that it was \$75M.

The Chairwoman asked whether the \$11 million gain now would bring the borrowing down to \$64M in 2018. GM Bordallo said that was correct. GWA Counsel Botha indicated that additional funds were used to accelerate the 2018 projects; that would mean less money needs to be borrowed in 2018. The amount for borrowing needed in 2018 will be lower. In response to the Chairwoman's question, Mr. Botha indicated that the borrowing in 2018 could be \$64M or less.

The Chairwoman asked whether anything in these projects could be done now and gotten out of the way, to save more money. Following up on Commissioner Cantoria's question, could that be done with leak detection? GM Bordallo could not point to any one thing that could be done now, based on all the other projects that GWA has. GWA will never get water loss down to zero. It is chipping away at the problem. He cannot identify one project in which GWA could place all of the funds.

The Chairwoman asked whether the GM anticipated that, in the next rate case, this borrowing now could have a positive impact, by not having to raise the rates. GM Bordallo indicated that he believed so. However at present, he does not have anything on that matter for the Commission. The Chairwoman asked what the response time for repairing leaks was. GM Bordallo indicated that main breaks are addressed immediately. Others take longer.

Leaks involving master meters with the Navy are prioritized. In the last several months, response time from the time the leak was reported to the time that repairs were



completed ranged between four to seven days. GWA is trying to reduce that number. GWA is making a concerted effort to drop the back log down and to get the response time back down to about three days at most.

Commissioner Niven asked what would be the timing for the next filing for the annual increase in the 5-year plan. CFO Cruz indicated it would be on June 1. Commissioner Niven asked whether GWA would go to the CCU in May. CFO Cruz indicated that was correct. Commissioner McDonald asked whether GWA, if it received this \$11M, it would postpone the rate increase in its June rate filing to December. CFO Cruz indicated that the \$11M related more to future borrowing in 2018. GWA should be able to reduce its borrowing in 2018 to less than \$90M. This will affect interest rates and ratepayers' utility rates.

GM Bordallo indicated that moving up these construction projects now could save funds as there will be competition for contractors undertaking the military buildup projects. CFO Cruz indicated that GWA was authorized to borrow up to \$161M in this bond issuance, but did not use its full authorization. The bonds sold at a \$17M premium. That is how GWA was able to borrow less. The par value was reduced down to \$143M as opposed to \$161M. GWA borrowed less than what it was authorized to borrow. This will have an impact on rates in the future. There are 19 months of capitalized interest, which are interest payments on the bonds that are paid for with bond proceeds as opposed to rates.

The Chairwoman asked what GWA was looking at for the next base rate case. CFO Cruz indicated that, for FY2017, GWA is looking at a 7% rate increase. Commissioner Cantoria asked whether on the bonds, GWA is classified as a municipal bond. CFO Cruz responded it was. Commissioner Cantoria asked whether the bond was tax free. Counsel Botha indicated that GWA is triple tax exempt. Commissioner Cantoria asked if the interest to the investors is tax free. CFO Cruz indicated that it was. The bonds are attractive to bond holders and investors, and generate a lot of interest.

The PUC Counsel was then allowed to ask a question. Counsel asked whether GWA gave any consideration to applying at least a portion of the additional \$11M received to offset the rate increases or to pay the capitalized interest early. GM Bordallo indicated these were considered by the CCU. The CCU determined to proceed with the additional proceeds to accelerate some of the projects that reduce future bonds.

The CCU had asked GWA whether it can reduce the proposed upcoming rate increase. That issue is still on the table. In the last rate case GWA was awarded a 16% rate increase. It had agreed that a portion of that was going to line loss improvement and to fire hydrants. In this recent bond issuance, \$1M is allocated for line loss improvement. What happened to the \$2M from the rate increase--was it allocated to address line loss and fire hydrant?



GM Bordallo indicated that GWA was in the process of procuring fire hydrants. GWA is using other funds on the line loss project. CFO Cruz indicated that, less than six months ago, GWA signed an \$8M contract for line replacements. This is one of the projects that GWA is investing on from the additional \$2M increase that PUC supported it on. In addition, the fire hydrants, GWA recently signed off on the \$8M contract.

Commissioner Niven stated his recollection that \$1M for leak detection was in part to determine the causes and not just to spend on leak repairs themselves to determine why there's such a high incidence of leak repairs. He wondered whether any study has been done. GM Bordallo indicated that a future project that GWA hopes to put out soon would include pressure zone redistribution. There is excessive pressure within some zones because of the issues with valves. GWA is correcting these and establishing the zones but this will take some work in terms of connections between the lines and disabling others. The pressure zone realignment project will result in correcting some of the root causes for which GWA has excessive leaks in certain areas.

The Chairwoman asked how much of the investment was for fire hydrants. GM Bordallo said that it was just placed out for procurement, so there were no firm numbers yet. He would report to the PUC when there was a firm number. Upon motion duly made, seconded and unanimously carried, the Commissioners approved GWA's uses for the additional bond funds of approximately \$11M, and adopted the Order made *Attachment "C"* hereto.

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

The Chairwoman announced that the next item on the agenda was GPA Docket 16-04, GPA Petition for the Extension of the TRC Environmental Corporation Contract for Environmental Engineering and Technical Services, PUC Counsel Report and Proposed Order. Counsel stated that TRC has been the contractor for GPA on environmental matter for five years already. The PUC previously approved its contract.

TRC performs a number of functions for GPA with its environmental expertise, including tasks related to setting the ambient air quality monitoring program. This program is required by USEPA. It involves monitoring and air testing equipment to assure that GPA is complying with various USEPA standards. TRC also performs other functions for GPA including working on the integrated resource plan and environmental state plan, state implementation plan, and environmental strategic plan.

TRC performs a valid service. Its contract is running out on May 31 and GPA requests a five year extension running through May 31, 2021. Counsel has ascertained that GPA has spent \$840,000 for the TRC Contract over the past five years. Of that amount, \$150,000 was bond funded. There have also been some grants. Most of the funds were revenue funds. With the bond funding this Commission had already approved up to \$1.5M for the air quality/monitoring program.



The Engineers from GPA have informed Counsel that GPA is anticipating a lot of equipment that must be purchased shortly for about \$1.2M. What GPA is requesting now for the bond portion of the funding is that the PUC raise the current level from \$1.5M to \$1.9M. GPA has only used \$150,000 from the bond funds to date. These funds will be needed soon for the air quality monitoring program. When PUC originally approved the bond funds in 2010, the amount for air quality monitoring was \$1.9M in bond funding. So, there is nothing out of the ordinary in this case. GPA is asking for authorization to expend what was originally approved by the PUC.

The work that TRC performs is specialized. GPA needs assistance on environmental regulations. On the revenue fund side, GPA is asking to increase the authorized amount up to \$1,725,000 over five years. It appears that GPA has spent somewhere between \$700,000 to \$800,000 from revenue bonds to date. In terms of what GPA is asking for, the sum requested would provide a five year budget at approximately 175,000. The numbers match up, more or less.

A portion of the budget for the next five years is the consent decree work that TRC has been assisting GPA with. That is about \$100,000 per year. With the revenue bonds, there does not seem to be any problem with the budget or amounts that GPA is requesting. However with the consent decree, there is a concern that the consent decree which GPA would propose to enter into with the USEPA is a settlement agreement. The settlement then becomes a court judgment.

The consent settlement binds the agency to certain actions which will normally result in expenditures. This was the case regarding GWA. GWA entered into a consent order with USEPA for the stipulated Order projects. The Guam Legislature approved \$450M in bond projects. The PUC then had little role or discretion in reviewing projects that have already been agreed to in a consent order.

GPA should work with the PUC and present any settlement to it before it is entered into. The powers of the PUC include reviewing federal contracts under 12GCA§12106. PUC is authorized to review any contracts between a utility such as GPA and the United States Government. The US Supreme Court has held that a Consent Order is really a contract. Thus, Counsel included a provision in the Proposed Order which would require GPA to present any consent decree order to the PUC. Counsel recommends that the Commission approve the funding both for the revenue funds and bond funds for the TRC Contract. It is reasonable and needed.

Commissioner Niven indicated that he did not have a problem with the substance of the Proposed Order. He did wish to ask if GPA had any comment of the ordering provision about GPA having to come before the PUC before entering into any consent decree. GPA Counsel Botha indicated that such a requirement is not unreasonable. Ofcourse, if the PUC did not approve a consent decree, the next step would be for the US Attorney to file a complaint on behalf of USEPA and serve GPA. After a complaint



is filed, expenses for complying are a lot higher. If PUC wants that ability, GPA does not object.

However, GPA is employing one of the top five environmental litigation firms in the Country to assist GPA with the best settlement at the consent decree level. Fines keep accruing during litigation. Fines accrue on a per plant/per day basis. GPA would prefer to negotiate a much smaller fine. USEPA has not requested particular types of power plants that GPA should use or run. Thus compliance is by a date certain. In negotiating with USEPA, GPA will attempt to buy some time for compliance. Compliance will probably mean ultra-low diesel and whether GPA goes to new units or not.

GM Benavente indicated that in this May, GPA would present its resource plan and findings to the CCU. He did not have a problem with presenting the consent settlement to the PUC. Commissioner Niven also gave Mr. Benavente an opportunity to address whether the proposed consent settlement/decreed should be reviewed and approved by the PUC. He indicated GPA would keep the PUC in mind and work it out. All of the parties would be involved in the decision.

The Chairwoman asked Counsel Botha whether GPA would discuss this matter with the PUC during negotiations. Counsel Botha indicated that he would have to check with USEPA. Commissioner Pangelinan suggested that the only reasonable basis for voting no on a consent decree would be if PUC believes that GPA is not in violation of the EPA Regulations. Counsel Botha indicated that the GPA litigation counsel has previously worked for the Department of Justice litigating environmental matters. He told GPA that it is in violation and needs to come into compliance. Mr. Botha indicated that GPA was not in compliance with RICE MACT and EGU MACT for Cabras 1 & 2.

Commissioner Niven stated that as a result of his participation in San Francisco with the USEPA discussions, once negotiation started, representatives of the PUC and even possibly the CCU would not be invited to such meetings. Mr. Botha indicated that was correct.

PUC Counsel advised the Commissioners that he had revised paragraph 4 of the Proposed Order to require that GPA obtain review and approval by PUC of any "proposed settlement" as well as "consent decree." The PUC should be aware of any financial implications of a settlement and consent decree. The PUC should have an opportunity to look at the financial aspects of a consent decree. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the proposed bond and revenue fund expenditures for the TRC Contract, and adopted the Order made *Attachment "D"* hereto.

The Chairwoman announced that the next item of business is GPA Docket 16-06, GPA Petition for Approval of Bond Fund Reallocation for Performance Management Contract for Combustion Turbine Power Plants, PUC Counsel Report, and Proposed



Order. Counsel stated that the PUC previously approved the PMC Contract for the Combustion Turbines, Dededo, Yigo and Macheche. At that time GPA suggested it would use funds from Bond Reallocation to pay for the contract. The PUC asked GPA to file its Petition on Bond Reallocation. GPA has now filed its Petition for Bond Reallocation in accordance with the PUC Order.

Counsel believes that PUC should proceed ahead with the reallocation. The Dededo CT rehabilitation is critical and bond funds will be used for the repair of the Dededo CTs. GPA needs the Dededo Plants in order to have sufficient generation capacity. These plants may not be restored as early as previously sought; Dededo CT1 needs switch gear and may not be in service until July of next year. Nevertheless, the Dededo CTs need to be restored as quickly as possible.

GPA has requested reallocation of bond funds in the amount of \$6,360,000. That reallocation is set forth in Exhibit A to the Counsel Report and Proposed Order. It sets forth the projects for which funds would be allocated. The funds GPA proposes to utilize are the 1999 Construction Bond fund excess of \$1.2M; the remaining funds from the completed underground extension of the Port Authority, \$691,000; and over \$1M from the completed Cabras 3 & 4 CIPs.

Counsel recommends that these funds be reprogramed. The funds for Cabras 1 & 2 CIPs (\$1,048,000) can be funded from CIP funds. The underground fuel pipeline conversion is on hold. GPA may need to use other fuel sources, such as ultra-low sulfur diesel or LNG, it is not clear yet what type of fuel the underground fuel pipeline would carry. The project is on hold.

The only concern Counsel has is that CCU approved a different amount for bond reallocation and from different sources than was contained in GPA's Petition. The CCU approved the amount of \$6,032,000; the projects were also not exactly the same as listed in GPA's Petition. On the CCU version, there was \$62,000 coming from the Agat Village pole hardening and concrete project. GPA Petition listed \$1.2M from the 1999 construction bond fund, whereas CCU Resolution indicated \$840,000. There were discrepancies.

The PUC normally requires that the CCU act on a matter before it comes to the PUC. Counsel has a concern about PUC approving an amount in the GPA Petition without being assured that the CCU has approved it. The Proposed Order recommends that PUC approve the bond reallocation as set forth in the GPA Petition. GPA has confirmed, through Assistant CFO Montellano, that the amounts are correct in the GPA Petition. Approval should be conditioned upon the CCU approving the same amounts and sources as contained in the GPA Petition.

Commissioner Cantoria asked whether this was a reverse procedure--PUC approves it and then asks the CCU to approve afterwards. Counsel indicated that the PUC approval is conditional. However he felt it was advisable to proceed with conditional



approval rather than sending it back to the CCU and having it come back before the PUC again on this matter. This was the quickest, easiest way if the CCU comes up with a resolution that it has approved the proposal in the GPA Petition.

Commissioner Pangelinan asked if the issue was what happened between the CCU approval and subsequent adjustments. Counsel indicated that was correct. Counsel stated that, after the financial people at GPA looked at the matter more closely, they found that there was not as much money in the Agat project anymore and that there were other funds that were better to reallocate. They came up with a different amount than was in the CCU resolution.

Commissioner Cantoria asked Counsel whether, for the future, GPA would have to go back to their process before they come to us. Counsel stated he believes that GPA generally understands that. The Contract Review Protocol requires that every proposed contract be approved by the CCU. Counsel believes that, in this case, there was a readjustment that didn't quite match up. Commissioner Pangelinan confirmed that once GPA gets its application that should be submitted to PUC. Counsel confirmed that was correct.

Commissioner Cantoria asked whether GPA would come back before the Commission. Counsel indicated that for filing purposes, CCU approval of the GPA figures in the Petition could be a CCU Resolution. GPA Counsel Botha indicated GPA would file a CCU Resolution with the PUC. GM Benavente wished to clarify whether GPA could proceed with expenditure before the end of May to obtain CCU approval. Counsel indicated there was no problem. For the projects on which CCU and GPA approved the same amounts, GPA could proceed. GPA could expend the amounts that were approved in both the CCU Resolution and the GPA Petition. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the bond reallocation requested in the GPA Petition for the Combustion Turbine PMC and repairs, subject to approval of the amounts by the CCU. The PUC adopted the Order made *Attachment "E"* hereto.

The Chairwoman announced that the next item on the agenda was GPA Docket 16-07, GPA Petition for Yigo CT Repairs, PUC Counsel Report, and Proposed Order. Counsel stated that this matter comes before the PUC on an emergency basis. This is not on the agenda, but requires quick action. GPA is having a difficult time ensuring that there is sufficient generation capacity. There have been generator outages with plants going offline.

GM Benavente and the GPA staff are trying mightily to make sure that there is enough generation capacity. Everything that can be done to assist them is in order. On the Yigo CT, there recently was a problem. Operators noted a noise emanating from the unit and they shut it down. Material loss was noted, corrosion and other issues. TEMES, the PMC, is already on board assessing the problem. Proposals have been accepted to put



in a renovated gas turbine engine for the Yigo CT. GPA will replace the existing turbine engine in the Yigo CT.

There were four bids; the one selected by TEMES and GPA was Turbine Resources International. Its Proposal is to replace the existing gas turbine with a renewed gas turbine of the same model and specifications. After the renovated machine is put in, the old gas turbine will become the property of TRI. So, it is a trade. The total cost is roughly \$2.3M.

GPA needs more generation capacity to fill the loss of the 79MW that resulted from the Cabras explosion. Once the renovated engine is put in place, the Yigo Plant capacity will increase from 19 to 22 megawatts. The heat rate is improved greatly with the new engine. The fuel costs are estimated to be reduced by \$59,794 per month. The working capital fund will be used to pay for this \$2.3M.

Assistant CFO Montellano confirms that there is over \$30M in the Working Capital Fund. There is an excess as a result of the reduction in fuel prices. There are sufficient funds in the WCF to take care of this; it is a necessary and prudent step for GPA to take. The recommendation is that the PUC approve the Yigo repairs and the installation of the overhauled gas turbine. The \$2.3M should be authorized from the WCF to pay for the repairs.

Commissioner Cantoria asked whether GPA would come back for a rate increase to replace the working capital. Counsel Botha indicated GPA would absolutely not seek a rate increase for this. This will not be any rate impact from using this additional \$2.3M. Upon motion duly made, seconded and unanimously carried, the Commissioners authorized GPA to expend \$2.3M from the Working Capital Fund for the Yigo CT engine replacement. The Commissioners adopted the Order made *Attachment "F"* hereto.

## **5. Administrative Matters**

The Chairwoman indicated the next item on the agenda under the Administrative Matters was GPA Docket 08-10 Net Metering Data for FY2015. Counsel stated that the three items listed under Administrative Matters, the net metering data, the annual reliability report and the quarter reliability report, were for the information of the Commissioners.

Net metering data actually is somewhat out of date, because it is for the end of 2015. However, it is fascinating. From 79 net metering customers in 2013, the number of such customers has increased to over 600 by the end of FY2015. For this year, GPA has likely already exceeded the 1,000 net metering customer mark. The number of net metering customers is increasing exponentially. GPA has plans to file a request concerning reevaluation by the Commission of the one for one credit that net metering customers get, and the effect of such credit upon other customers.



These three matters are only submitted for the information of the Commissioners. The reliability reports indicate the difficult time that GPA has had over the last year. The factors are not going in the right direction. There is no specific action required. Commissioner Cantoria asked what the annual revenue of GPA was. Counsel indicated that it was likely between \$400 and \$500M. Commissioner Cantoria pointed out that there was a \$1M loss alleged by GPA from net metering. That seemed small to her.

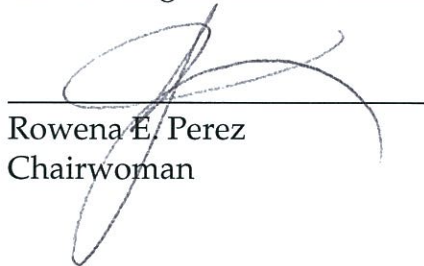
Counsel pointed out that, for some time, GPA received all the excess production of the net metering customers for free. In last December the PUC extended the net metering credit beyond a year; before it had simply expired. That meant free power from the net meters to GPA. Counsel pointed out that there were now 1,000 net metering customers out of 49,000 total customers. This matter will be for the Commissioners to address when GPA files its Petition. The Petition has not been forth coming yet.

The Commissioners discussed the requirement that five percent of GPA's power production be by renewable energy by 2015, the renewable standard. Commissioner Niven indicated that the standard had been met. Commissioner Montinola stated that, the issue was, if all of the net meters get a one for one credit, the rest of the customers subsidized the distribution cost. Our power cost can go up.

The Chairwoman asked Counsel where the GWA reports are on the bonds. Counsel indicated that he believes ALJ Alcantara had received it. The ALJ indicated that GWA emailed it to the Administrator, the ALJ, and Chairman Johnson. The Chairwoman asked Administrator Palomo to send the GWA Report around to the Commissioners.

The Chairwoman indicated that the next item was for the extension of the PUC Contract for Administrative and Bookkeeping Services. Counsel indicated that this extension was for Mr. George Kim's contract. He has performed valuable service for our Administrator Ms. Palomo, particularly with the bookkeeping, the billings, and other financial matters. She favors the extension of his contract. The contract pays him \$1,200 per month based upon 48 hours of work. Mr. Kim does come into the office and perform the services requested. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Extension of the PUC Contract for Administrative and Bookkeeping Services.

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



Rowena E. Perez  
Chairwoman



THE GUAM PUBLIC UTILITIES COMMISSION  
REGULAR MEETING  
SUITE 202, GCIC BUILDING  
414 W. SOLEDAD AVE., HAGATNA, GUAM  
6:30 p.m., April 28, 2016

Agenda

1. Approval of Minutes of March 31, 2016
2. Teleguam Holdings LLC
  - GTADocket 15-06, GTA's Petition for Rehearing, ALJ Recommendation, Proposed Order
3. Guam Waterworks Authority
  - GWADocket 16-02, Petition for Approval of Use of Additional 2015 Bond Proceeds, ALJ Report, Proposed Order
4. Guam Power Authority
  - GPADocket 16-04, GPA Petition for the Extension of the TRC Environmental Corporation Contract for Environmental Engineering and Technical Services, PUC Counsel Report, Proposed Order
  - GPADocket 16-06, GPA Petition for Approval of Bond Fund Reallocation for Performance Management Contract for Combustion Turbine Power Plants, PUC Counsel Report, Proposed Order
  - GPADocket 16-07, GPA Petition for Yigo CT Repairs, PUC Counsel Report, Proposed Order
5. Administrative Matters
  - GPADocket 08-10, Net Metering Data for FY 2015
  - GPADocket 13-13, Annual Reliability Report for 2014
  - GPADocket 13-13, Quarterly Reliability Report
  - Extension of PUC Contract for Administrative and Bookkeeping Services
6. Other Business

ATTACHMENT A





BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

Formal Complaint of Teleguam  
Holdings, LLC, Regarding PDS Dark  
Fiber Informal Complaint of October 23,  
2015

)  
) GTA Docket 15-06  
)  
) ORDER RE: GTA's  
) PETITION FOR REHEARING

This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of Teleguam Holdings LLC ["GTA"] for a Rehearing of certain provisions in the PUC Order Docket dated February 25, 2016. Having considered the record of the proceedings herein, the Petition for Rehearing by GTA, the Opposition of PDS, and the ALJ Report, good cause appearing, the Guam Public Utilities Commission hereby **ORDERS** as follows:

1. The recommendation for Rehearing, as set forth in the ALJ Report, is adopted.
2. The ALJ shall conduct a limited Rehearing on the issues set forth in the ALJ Report.
3. The ALJ is hereby authorized to determine the extent to which witness testimony will be authorized upon the Rehearing, and the extent to which proposed testimony is relevant to the issues to be reheard.
4. The Order issued by the PUC on February 25, 2016 shall remain in force and effect unless subsequently altered by the PUC.
5. GTA and PDS shall equally share the regulatory fees and expenses incurred in the Docket, including without limitation consulting and counsel fees and expenses.

SO ORDERED this 28<sup>th</sup> day of April, 2016.

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

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


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Joseph M. McDonald  
Commissioner

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Peter Montinola  
Commissioner

**ATTACHMENT B**

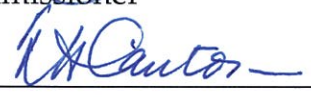


Order  
GTA Petition for Rehearing  
GTA Docket 15-06  
April 28, 2016



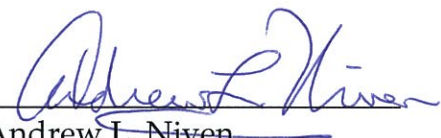
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Michael A. Pangelinan  
Commissioner



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Filomena M. Cantoria  
Commissioner



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Andrew L. Niven  
Commissioner





**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

|                                      |   |                         |
|--------------------------------------|---|-------------------------|
| <b>PETITION BY THE GUAM</b>          | ) | <b>GWA DOCKET 16-02</b> |
| <b>WATERWORKS AUTHORITY FOR</b>      | ) |                         |
| <b>APPROVAL OF USE OF ADDITIONAL</b> | ) | <b>ORDER</b>            |
| <b>2015 BOND PROCEEDS</b>            | ) |                         |
| _____                                | ) |                         |

**INTRODUCTION**

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the Petition for Approval of Use of Additional 2015 Bond Proceeds (“Petition”), filed by the Guam Waterworks Authority (“GWA”) on April 11, 2016.

**DETERMINATIONS**

On March 1, 2013, GWA filed its Five Year Financial Plan relative to fiscal years 2014 through 2018 (“Rate Plan”). The Rate Plan contemplated the issuance of three bonds during 2013, 2015, and 2018, in order to generate \$350 million for upgrades or rehabilitation of existing facilities or construction of new facilities.<sup>1</sup> The PUC approved the Rate Plan on October 29, 2013.

On November 25, 2015, GWA filed a Petition for PUC approval to issue bonds up to \$160,000,000, which was based on GWA’s Updated Capital Improvement Plan for fiscal years 2015-2020 (“GWA CIP FY2015-2020”). On December 10, 2015, through two orders, the PUC approved GWA’s issuance of bonds for the purpose of financing capital improvement projects for an amount not to exceed \$160,000,000.

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<sup>1</sup> GWA’s 5 Year Financial Rate Plan (“Rate Plan”), p. 6 (Mar. 1, 2013).



On April 11, 2016, GWA filed its Petition requesting PUC approval for use of \$11,569,463 additional bond funds. On April 26, 2016 the Administrative Law Judge of the PUC Joephet R. Alcantara (the “ALJ”) filed a report regarding the Petition, which included his findings and recommendation based on the administrative record before the PUC.

**A. Bond Review**

Pursuant to 12 G.C.A. § 12105,<sup>2</sup> GWA cannot 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, filed in PUC Administrative Docket 00-04 on October 27, 2005, all externally funded loan obligations and other financial obligations, such as lines of credit, bonds, etc., in excess of \$1,000,000, and any use of such funds, must be approved by the PUC.<sup>3</sup>

**B. Petition**

In its Petition, GWA submitted that when it closed on the 2015 bond, it was able to secure \$140,019,463 for capital improvement projects, which made \$11,569,463 additional funds available to GWA than what was originally planned. As a result, GWA sought PUC approval for the use of \$11,569,463 of bond funds. According to GWA, the \$11,569,463 will help finance three (3) projects originally scheduled to be funded by GWA’s 2018 Bond issue, as well as provide additional funding for four (4) projects.

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<sup>2</sup> Formerly 12 G.C.A. §12004.

<sup>3</sup> See Contract Review Protocol for Guam Waterworks Authority, Administrative Docket 00-04, p. 1 (Oct. 27, 2013).



GWA further submitted with the instant Petition a “2015-2020 CIP Supplement,” which contains the same capital line items as the 2015-2020 CIP, but reflects some budgetary increases, as well as funding source alterations, based on the additional \$11,569,463 funding provided by the 2015 bond issue.<sup>4</sup>

**C. Bond Projects**

Based on Resolution No. 23-FY2016 issued by the CCU and the 2015-2020 CIP Supplement, GWA and the CCU itemized the following seven (7) projects that require bond fund programming. In conversations with GWA’s engineering team, a number of these items have been identified by GWA in order to prioritize reducing GWA’s water loss in recognition of the PUC’s concerns regarding leaks in the water system.

**1. Leak Detection**

Regarding this project, GWA intends to increase the budget originally estimated for this project by \$1,000,000 in order to accelerate work related to reducing water leakage throughout the system. The additional funding will continue the system wide leak detection efforts, which involve leak repair, leak analysis and inspection. According to GWA, \$100,000 will go towards the leak detection equipment upgrades, which will involve obtaining more technologically advanced instruments to improve GWA’s ability to locate leaks. In addition, \$900,000 will go towards line replacement improvements.

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<sup>4</sup> CCU Resolution No. 23-FY2016, pp. 1-2 (Mar. 22, 2016).

## **2. Potable Water System Planning**

GWA maintained that \$1,000,000 of the planned 2018 bond proceeds will be advanced to address design services for the water system, including alternatives for augmenting southern water transmission and distribution options, as well as to fund a portion of the Program Management Office work authorization.<sup>5</sup> Specifically, the additional \$1,000,000 will go towards the following: \$150,000 for water and wastewater hydraulic modeling implementation and training; \$300,000 for non-revenue water-system improvements; \$200,000 for asset management implementation and training; and \$350,000 to pay for PMO work authorizations.

Based on conversations with GWA's engineering team, funding for non-revenue water-system improvements will assist GWA in its continued efforts to reduce water loss through the following, for example: ensuring that meters at water wells are working accurately; ensuring that production and customer meters are working accurately; ensuring that the data collected is accurate; installing meters; and making repairs to reduce leaks.

With regard to asset management implementation and training, this funding will assist GWA in acquiring a computerized maintenance and management system software, as well as receive training for the use of such software, which will allow GWA to better manage and maintain its assets.

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<sup>5</sup> CCU Resolution No. 23-FY2016, p. 2.



### **3. Water Audit Program & Water Loss Control Plan**

With respect to the Water Audit Program and Water Loss Control Plan, GWA advanced \$1 million of the planned 2018 bond proceeds to this project to continue funding the following: \$300,000 for non-revenue water assessment; and \$700,000 for non-revenue system improvements. In line with GWA's prioritization of lessening its water loss, this project continues GWA's efforts in locating points of water loss, and conducting system wide repairs to decrease such water loss.

### **4. Baza Gardens STP Replacement**

Regarding this project, GWA advanced \$3 million of the planned 2018 bond proceeds to this project to supplement the construction fund needs for the first phase of this Court-ordered project.<sup>6</sup>

### **5. Agat/Santa Rita STP Replacement**

With respect to the Agat-Santa Rita STP Replacement project, GWA added \$3 million to this project to supplement the construction budget in the event the construction costs exceed the original budget.<sup>7</sup>

### **6. Laboratory Modernization**

Regarding the Laboratory Modernization project, GWA maintained that the additional \$500,000 increase will be used to supplement the construction fund as the cost estimate by the designer for the construction of the project is apparently greater than what

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<sup>6</sup> CCU Resolution No. 23-FY2016, p. 2.

<sup>7</sup> CCU Resolution No. 23-FY2016, p. 2.

was originally estimated. The additional increase will also allow GWA to purchase critical equipment and furnishings.<sup>8</sup>

## **7. General Plant Improvements**

GWA added \$2,069,463 to this project to supplement funding needs for various operational projects.<sup>9</sup> For instance, GWA submitted that the \$2,069,463 will go towards the following: \$500,000 for vehicle fleet upgrades; \$819,463 for heavy equipment upgrades; \$250,000 for deep well pump and motor replacement; and \$500,000 to replace pumps and motors for GWA's wastewater pump stations.

## **CONCLUSION AND RECOMMENDATION**

In the April 26, 2016 ALJ Report, the ALJ found that pursuant to 12 G.C.A. §12105,<sup>10</sup> GWA cannot 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, filed in PUC Administrative Docket 00-04 on October 27, 2005, all externally funded loan obligations and other financial obligations, such as lines of credit, bonds, etc., in excess of \$1,000,000, and any use of such funds, must be approved by the PUC.<sup>11</sup>

Based on a review of the above-referenced documents, the ALJ recommended that the PUC approve GWA's request for use of the additional \$11,569,463

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<sup>8</sup> CCU Resolution No. 23-FY2016, p. 2.

<sup>9</sup> CCU Resolution No. 23-FY2016, pp. 2-3.

<sup>10</sup> Formerly 12 G.C.A. § 12004.

<sup>11</sup> See Contract Review Protocol for Guam Waterworks Authority, Administrative Docket 00-04, p. 1 (Oct. 27, 2013).



GWA secured through the 2015 bond issuance for capital improvement projects. Accordingly, the ALJ recommended that the PUC approve of the Petition.

The Commission hereby adopts the findings contained in the April 26, 2016 ALJ Report and, therefore, issues the following:

### **ORDERING PROVISIONS**

After careful review and consideration of the above determinations, the April 26, 2016 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 April 11, 2016 Petition for approval for use of \$11,569,463 of the 2015 Bond funds is hereby GRANTED.
2. That 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. §§ 12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

**SO ORDERED** this 28<sup>th</sup> day of April, 2016.

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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

P163015.JRA





**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF: ) GPA Docket 16-04  
)  
The Petition of the Guam Power Authority) )  
for Approval of the Extension of the TRC ) **ORDER**  
Contract for Environmental Engineering )  
and Technical Services. )  
\_\_\_\_\_ )

**INTRODUCTION**

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] for approval of the Extension of the TRC Contract for Environmental Engineering and Technical Services.<sup>1</sup>

**BACKGROUND**

2. Pursuant to the Contract Review Protocol for the Guam Power Authority, GPA petitions the PUC to review and approve its Petition for the extension of the TRC Contract for Environmental Engineering and Technical Services.<sup>2</sup>
3. The present Environmental Engineering Technical Services Contract between TRC Environmental Corporation ["TRC"] and GPA expires on May 31, 2016.<sup>3</sup>
4. The proposed contract extension would be for an additional period of five (5) years commencing on June 1, 2016 and expiring on May 31, 2021.<sup>4</sup>
5. GPA also seeks to increase the amount of revenue funds available for the TRC Contract to a total of \$1,725,000; the amount of bond funds allocated to the Contract would be increased to a total of \$1,900,000 to continue tasks for the Ambient Air Quality Monitoring (AAQM) Program.<sup>5</sup>

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<sup>1</sup> GPA Petition for Approval of the Extension of the TRC Contract for Environmental Engineering and Technical Services, GPA Docket 16-04, filed April 11, 2016.

<sup>2</sup> Id. at p. 2.

<sup>3</sup> Consolidated Commission on Utilities Resolution No. 2015-52, Authorizing the Management of the Guam Power Authority to Increase the Funds and Extend the Contract for Environmental Engineering and Technical Services adopted October 27, 2015, and Exhibit D attached thereto, DRAFT CONTRACT EXTENSION Amendment No. 1 to RFP-11-001.

<sup>4</sup> Id.

<sup>5</sup> GPA Petition for Approval of the Extension of the TRC Contract for Environmental Engineering and Technical Services, GPA Docket 16-04, filed April 11, 2016.

6. On June 20, 2011, the PUC authorized GPA Management to award a 5 year contract to TRC for services including Ambient Air Quality Monitoring, Air Quality Modeling for purposes related to redesignation of non-attainment areas to attainment areas, evaluation and reporting on fuel switching in compliance with plant operations, and other engineering/technical services.<sup>6</sup>
7. On June 11, 2012, PUC authorized GPA to expend bond funds in an amount of up to \$1.5M for the Ambient Air Quality Monitoring Project for the first year contract with TRC.<sup>7</sup>
8. The Consolidated Commission on Utilities has approved the five year extension of the TRC Contract and the increased spending authorization levels for bond and revenue funds.<sup>8</sup>
9. On April 23, 2016, PUC Counsel filed his Report in this Docket; the PUC adopts the Recommendations in the Report.<sup>9</sup>

#### **DETERMINATIONS**

10. The PUC previously determined that GPA does need the outside services of a qualified contractor to operate and maintain the Ambient Air Quality Monitoring Plan, to construct a meteorological Tower, and to undertake various testing and audit functions.<sup>10</sup>
11. GPA anticipates that, in the near future, use of the allotted bond funds may be necessary to install and establish the Ambient Air Quality Monitoring Program. This involves the purchase and installation of monitoring devices/equipment at various locations on island.<sup>11</sup>
12. In addition, TRC is assisting GPA with the preparation of various other necessary items, such as the Environmental Strategic Plan, the Integrated Resource Plan, and

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<sup>6</sup> PUC Order, GPA Docket 10-09, dated June 20, 2011, at p. 3.

<sup>7</sup> PUC Order, GPA Docket 10-09, dated June 11, 2012, at p. 3.

<sup>8</sup> Consolidated Commission on Utilities Resolution No. 2015-52, Authorizing the Management of the Guam Power Authority to Increase the Funds and Extend the Contract for Environmental Engineering and Technical Services, adopted October 27, 2015.

<sup>9</sup> PUC Counsel Report, GPA Docket 16-04, dated April 23, 2016.

<sup>10</sup> PUC Order, GPA Docket 10-09, dated December 15, 2010.

<sup>11</sup> Conference between PUC Counsel Frederick Horecky, Special Projects Engineer Paz Tison and Environmental Manager Sylvia Ipanag on April 19, 2016.



the State Implementation Plan. The services rendered by TRC are necessary to assist GPA in complying with environmental regulations.

13. To date, GPA has only spent \$159,017.46 for TRC from the Bond Funds allocated through the Ambient Air Quality Monitoring Program.<sup>12</sup>
14. GPA's request for an increase in authorization for bond funds allocated to the TRC contract up to a total of \$1.9M should be approved. The purpose is to continue tasks for Ambient Air Quality Monitoring. As much as \$1.2M of this amount will be for the construction and installation of air quality monitoring equipment.<sup>13</sup>
15. For other tasks such as the Environmental Strategic Plan, IRP, and regulatory support, GPA utilizes revenue funds to pay for such services. To date, from the commencement of the TRC contract, GPA has paid TRC a total of \$840,156.86, including revenue funds.<sup>14</sup>
16. For the next five years, GPA proposes a projected annual budget for the TRC Contract at \$175,000.00 per year. This includes services for the projects previously mentioned and "Consent Decree Support" in an amount of \$100,000 per year.
17. In addition to the roughly \$840,150.86 already expended, GPA seeks authorization for the expenditure up to \$1,725,000 in revenue funds for the tasks set forth in its Cost Proposal, Exhibit D to CCU Resolution No. 2015-52.<sup>15</sup>
18. A proposed annual budget for five years of \$175,000 per year for the TRC Contract in revenue funds appears reasonable. A major portion of that budget is for "Consent Decree Support."
19. GPA must present a draft of any proposed Settlement and Consent Decree to the PUC for prior review and approval before it enters into such Consent Decree. The Contract Review Protocol requires prior PUC approval for any GPA obligation which will exceed a cost of \$1.5M.<sup>16</sup>

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<sup>12</sup> Exhibit B to CCU Resolution Consolidated Commission on Utilities Resolution No. 2015-52.

<sup>13</sup> Conference between PUC Counsel Frederick Horecky, Special Projects Engineer Paz Tison and Environmental Manager Sylvia Ipanag on April 19, 2016.

<sup>14</sup> Exhibit B to Consolidated Commission on Utilities Resolution No. 2015-52.

<sup>15</sup> Exhibit D COST PROPOSAL to Consolidated Commission on Utilities No. 2015-52.

<sup>16</sup> Contract Review Protocol for Guam Power Authority, Administrative Docket, dated February 15, 2008, par. 1(e).

### ORDERING PROVISIONS

After review of the record herein, including GPA's Petition for Approval of the Extension of the TRC Contract and the PUC Counsel Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's Petition for Extension of the TRC Contract for Environmental Engineering and Technical Services is approved.
2. GPA is authorized to expend bond funds allocated to the TRC contract up to a total of \$1,900,000.00 to continue tasks for Ambient Air Quality Monitoring.
3. GPA is authorized to expend revenue funds allocated to the TRC Contract up to a total of \$1,725,000 to continue the tasks illustrated in Exhibit D attached to the CCU Resolution No. 2015-52.
4. GPA must obtain prior review and approval of any proposed Settlement and Consent Decree to the PUC for prior review and approval before it enters into such Consent Decree.
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 §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 28th day of April, 2016.

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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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Peter Montinola  
Commissioner




Order  
Extension of the TRC Contract  
GPA Docket 16-04  
April 28, 2016

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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



IN THE MATTER OF: ) GPA Docket 16-06  
)  
The Petition of the Guam Power Authority)  
for Approval of the Bond Fund ) **ORDER**  
Reallocation for the Dededo CT PMC. )  
)  
\_\_\_\_\_)

**INTRODUCTION**

1. This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Petition of the Guam Power Authority [“GPA”] for approval of the Bond Fund Reallocation for the Dededo Combustion Turbine Performance Management Contract.<sup>1</sup>

**BACKGROUND**

2. On January 25, 2016, the PUC approved GPA’s award of a five year PMC contract to Taiwan Electrical and Mechanical Engineering Services [“TEMES”] for the management, operation and maintenance of the Dededo Combustion Turbine Units 1 & 2, the Yigo Combustion Turbine, and the Macheche Combustion Turbine.<sup>2</sup>
3. GPA indicated that the rehabilitation costs for the Dededo Combustion Turbines would be over \$6M. GPA planned to reprogram funds from various bond projects in order to fund the rehabilitation costs.<sup>3</sup>
4. While approving the award of the PMC contract to TEMES, the PUC required that GPA file its application to reprogram 1999 and 2010 Bond Funds with the PUC.<sup>4</sup>
5. GPA’s present Petition indicates that GPA intends to fund various repairs for the Dededo CT Plants, such as generator rotor repair and replacement of Switchgear, from the reprogramming of \$1.2M from the 1999 Bond Funds, and \$5.16M from the 2010 Bond Funds.<sup>5</sup>

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<sup>1</sup> GPA Petition for Approval of the Bond Fund Reallocation for the Dededo CT PMC, GPA Docket 16-06, filed April 11, 2016.

<sup>2</sup> The PUC Order, GPA Docket 15-22, dated January 25, 2016.

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

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

<sup>5</sup> GPA Petition for Approval of the Bond Fund Reallocation for the Dededo CT PMC, GPA Docket 16-06, filed April 11, 2016, at p. 1.



6. In Consolidated Commission on Utilities ["CCU"] Resolution No. 2016-02, the CCU authorized the General Manager, subject to the approval of the PUC, to reprogram 1999 and 2010 Bond Funds in the amount of \$6,032,000 to fund the rehabilitation of the Dededo CTs.<sup>6</sup>
7. PUC Counsel filed his Report on April 23, 2016; the PUC adopts the Recommendation in the Report.<sup>7</sup>

### DETERMINATIONS

8. GPA requests the reallocation of bond funds in the amount of \$6,360,000, as set forth in the table attached hereto as Exhibit "A".<sup>8</sup>
9. In its January 25, 2016 Order, the PUC determined that the Dededo CT Plant rehabilitation was a worthwhile and necessary project to provide additional generation capacity for the island wide power system.
10. The Dededo CT will provide dedicated support to Anderson Air Force Base Substation via an underground 34.5kv line.<sup>9</sup>
11. Repair of the Dededo CTs provides a positive cost-benefit ratio; availability of the units for dispatch, power to the IWPS (including military loads at Anderson Air Force Base), and improved system reliability and life extension of the Combustion Turbines.<sup>10</sup>
12. The Bond Reallocation Spreadsheet (attached hereto as Exhibit "B"), prepared by GPA Assistant CFO Cora Montellano, indicates that both GPA Management and the Consolidated Commission on Utilities have recommended the application of 1999 and 2010 bond funds for these rehabilitation purposes.<sup>11</sup>

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<sup>6</sup> Consolidated Commission on Utilities Resolution No. 2016-02, Authorizing Management of the Guam Power Authority to Petition the PUC and Award Services for a Performance Management Contract for GPA's Combustion Turbine Power Plants, adopted January 26, 2016, and Exhibit C to the Resolution.

<sup>7</sup> PUC Counsel Report, GPA Docket 16-06, filed April 23, 2016.

<sup>8</sup> Dededo CT Return to Service, Project Description and Justification, attached to GPA's Petition in the instant Docket.

<sup>9</sup> Id.

<sup>10</sup> Id.

<sup>11</sup> Bond Reallocation Spreadsheet, prepared by GPA CFO Cora Montellano, GPA Docket 16-06, submitted on April 21, 2016.

13. The Spreadsheet indicates, however, that the amounts approved for reallocation, as well as the projects from which funds are to be reallocated, differ in the GPA Petition and the CCU Resolution. The GPA Petition requests the reallocation of \$6,360,000 for reallocation, whereas CCU Resolution No. 2016-02 approved the reallocation of \$6,032,000.
14. Nearly \$3M of the reallocated funds in GPA's Petition are from excess project funds or from completed projects. Other projects, from which bond funds will be reallocated, may be funded from internal CIP funds.
15. GPA should be given some discretion and latitude to determine which projects are a priority, and when funds should be transferred from one project to another. Transferring the bond funds to the Dededo CTs, given the current generation shortage, is appropriate and necessary.

#### **ORDERING PROVISIONS**

After review of the record herein, including GPA's Petition for Approval of the Bond Fund Reallocation for the Dededo CT PMC, and the PUC Counsel Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's Petition for Bond Fund Reallocation for the Dededo CT PMC is approved.
2. Such Bond Reallocation is necessary so that GPA can fund the rehabilitation and repair of the Dededo CTs.
3. However, in its Petition, GPA approved a different total amount for bond reallocation, and different amounts from at least some sources, than were approved by the CCU.
4. The bond reallocation requested in GPA's petition in the total amount of \$6,360,000, and the project sources indicated in the Petition, are approved.
5. PUC approval is subject to ratification by the Consolidated Commission on Utilities of the amounts and sources requested in GPA's Petition. PUC should not give an unrestricted approval to reallocation fund amounts or project sources that have not been approved by the CCU.



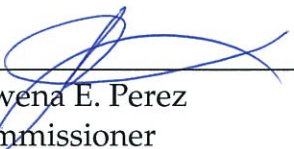
6. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 28th day of April, 2016.

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Jeffrey C. Johnson  
Chairman

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Rowena E. Perez  
Commissioner

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Michael A. Pangelinan  
Commissioner

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Filomena M. Cantoria  
Commissioner

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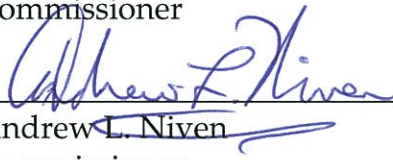
Joseph M. McDonald  
Commissioner

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Peter Montinola  
Commissioner

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Andrew L. Niven  
Commissioner

Reallocation of bond funds.

**BOND FUND REALLOCATION  
FOR DEDEDO CT RETURN TO SERVICE**

|  | Project Name                                 | Status       | Funding Source | Available Funds/<br>Approved Budget | Latest Eng'g Estimate | Commitment to Date | Transfer to Dededo CT |
|--|--|--------------|----------------|-------------------------------------|-----------------------|--------------------|-----------------------|
| 1                                      | 1999 Construction Bond Fund                  | Excess       | 1999           | \$ 1,200,000                        |                       |                    | \$1,200,000           |
| 2                                      | Underground Fuel Pipeline Conversion         | On-Hold      | 2010           | \$ 2,150,000                        | \$ 2,150,000          | \$ 156,000         | \$1,994,000           |
| 3                                      | P003 Underground Extension to Port Authority | Completed    | 2010           | \$ 4,775,650                        | \$ 4,775,650          | \$ 2,613,297       | \$ 691,000            |
| 4                                      | Cabras 1&2 CIPs                              | Construction | 2010           | \$ 8,094,000                        | \$ 8,041,000          | \$ 6,614,000       | \$1,427,000           |
| 5                                      | Cabras 3&4 CIPs                              | Completed    | 2010           | \$ 8,690,000                        | \$ 8,503,000          | \$ 7,455,000       | \$1,048,000           |
| Total transfer available for Dededo CT |  |              |                |                                     |                       |                    | \$6,360,000           |



**BOND FUND REALLOCATION  
FOR DEDEDO CT RETURN TO SERVICE**

|  | Project Name                                 | Status       | Funding Source | Available Funds/ Approved Budget | Latest Eng'g Estimate | Commitment to Date | Transfer to Dededo CT | Per CCU Resolution | Comments  |
|--|--|--------------|----------------|----------------------------------|-----------------------|--------------------|-----------------------|--------------------|---|
| 1                                      | 1999 Construction Bond Fund                  | Excess       | 1999           | \$ 1,200,000                     |                       |                    | \$ 1,200,000          | \$ 840,000         | 1999 Construction Fund balance was reconciled and will be closed out, |
| 2                                      | Underground Fuel Pipeline Conversion         | On-Hold      | 2010           | \$ 2,150,000                     | \$ 2,150,000          | \$ 156,000         | \$ 1,994,000          | \$ 1,994,000       | \$1.2 million is the actual excess bond fund                          |
| 3                                      | P003 Underground Extension to Port Authority | Completed    | 2010           | \$ 4,775,650                     | \$ 4,775,650          | \$ 2,613,297       | \$ 691,000            | \$ 681,000         | No change   |
| 4                                      | Agat Village Pole Hardening & Hybrid         | Completed    | 2010           | \$ 4,367,000                     | \$ 4,367,000          | \$ 4,305,000       |                       | \$ 62,000          | \$691K is the actual project cost under run                           |
| 5                                      | Cabras 1&2 CIPs                              | Construction | 2010           | \$ 8,094,000                     | \$ 8,041,000          | \$ 6,614,000       | \$ 1,427,000          | \$ 1,427,000       | Excluded, only \$62K is available                                     |
| 6                                      | Cabras 3&4 CIPs                              | Completed    | 2010           | \$ 8,690,000                     | \$ 8,503,000          | \$ 7,455,000       | \$ 1,048,000          | \$ 1,048,000       | No change   |
| Total transfer available for Dededo CT |  |              |                |                                  |                       |                    | \$ 6,360,000          | \$ 6,032,000       |   |



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF: ) GPA Docket 16-07  
)  
The Petition of the Guam Power Authority) )  
for Approval of Yigo CT Repairs ) **ORDER**  
)  
)  
)  
\_\_\_\_\_)

**INTRODUCTION**

1. This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Petition of the Guam Power Authority [“GPA”] for Approval of the Yigo CT Repairs.<sup>1</sup>

**BACKGROUND**

2. On January 25, 2016, the PUC approved the award of a Performance Management Contract to TEMES for the management, maintenance, and operation of various Combustion Turbine Power Plants, including the Yigo CT.<sup>2</sup>
3. On March 14, 2016, operations of the Yigo CT noted an abnormal noise, and the unit was taken offline for assessment. The initial assessment completed by the Yigo CT team and the CT PMC (TEMES) indicated that there was material loss, corrosion and other issues.<sup>3</sup>
4. The initial engineering assessment was that the repair would take approximately three months to complete.<sup>4</sup>
5. TEMES, as the PMC for the Yigo CT, issued an RFP to various companies, for repair services relative to the Yigo CT.<sup>5</sup>

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<sup>1</sup> GPA Petition for Approval of Yigo CT Repairs, GPA Docket 16-07, filed April 27, 2016.

<sup>2</sup> PUC Order, GPA Docket 15-22, dated January 25, 2016.

<sup>3</sup> GPA Petition for Approval of Yigo CT Repairs, GPA Docket 16-07, filed April 27, 2016, at p. 1.

<sup>4</sup> Guam Consolidated Commission on Utilities Resolution No. 2016-24, Authorizing Management of the Guam Power Authority to Implement and Complete the Repairs required to place Yigo Combustion Turbine Plant back into service, adopted April 26, 2016, at p. 1.

<sup>5</sup> Memorandum from TEMES to Melinda R. Camacho, GPA Assistant General Manager, dated April 22, 2016 (attached to the GPA Petition, GPA Docket 16-07, filed on April 27, 2016).



6. TEMES received three proposals furnished by GE, TCT and TRI respectively. TEMES recommended the selection of TRI's Exchange Proposal for repairing the gas turbine of the Yigo CT.<sup>6</sup>
7. TRI, Turbine Resources International, submitted a proposal to replace the existing gas turbine with a renewed gas turbine of the same model and specifications. The old gas turbine of the Yigo CT will become the property of TRI after the overhauled-turbine is installed.<sup>7</sup>
8. TRI proposes to exchange a "low hour" overhauled LM2500PE engine for the existing LM2500 Gas Turbine ESN 481-632 from the Yigo CT.<sup>8</sup>
9. The estimated cost for installing the overhauled engine and performing related services is \$2.3M.<sup>9</sup>

#### **DETERMINATIONS**

10. The PUC has recognized that GPA lost 79MW in generation capacity as a result of the Cabras explosion. With recent generator outages and overhauls, GPA has been struggling to maintain sufficient generation capacity.
11. The PUC previously held that: "it is critical to achieving sufficient system capacity that the availability of the Dededo CTs, and upgraded capacity for the Macheche and Yigo CTs, be insured."<sup>10</sup>
12. With a possibility that the Dededo CTs will not be restored to operation as soon as originally anticipated, it is even more important to restore the additional 20MW of the Yigo CT as soon as possible.<sup>11</sup>

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<sup>6</sup> Id. at p. 1.

<sup>7</sup> Turbine Resources International, GE LM 2500PE GT Exchange Proposal, dated April 15, 2016 (attached to the GPA Petition filed on April 27, 2016).

<sup>8</sup> Id.

<sup>9</sup> CCU Resolution No. 2016-24 at p. 2.

<sup>10</sup> PUC Order, GPA 's Procurement of a PMC for Combustion Turbine Power Plants, GPA Docket 15-22, dated January 25, 2016.

<sup>11</sup> At the CCU meeting on April 26, 2016, various GPA officials requested that PUC Counsel expedite the hearing of this matter possible.

13. GPA also submits that the change out of the gas turbine unit will result in a more efficient machine, increasing the MW capacity from 19 to 22; since the heat rate of Yigo CT will be substantially improved after the repairs, it is estimated that resulting fuel savings may be \$59,794 per month.<sup>12</sup>
14. GPA proposes to fund the Yigo CT repairs from the Working Capital Fund for the approximately \$2.3M needed.<sup>13</sup>
15. It is reasonable, necessary and prudent for the PUC to approve the repair of the Yigo CT to provide additional system generation capacity as soon as possible.

### ORDERING PROVISIONS

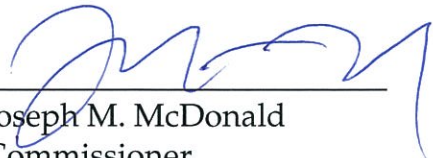
After review of the record herein, including GPA's Petition for Approval of the The Yigo CT Repairs and the PUC Counsel Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. The Yigo CT repairs, as requested in GPA's Petition, are approved.
2. GPA is authorized to expend the amount of \$2,300,000 from the Working Capital Fund to pay for such repairs and the installation of the overhauled gas turbine engine.
3. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 28th day of April, 2016.

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Jeffrey C. Johnson  
Chairman



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Joseph M. McDonald  
Commissioner

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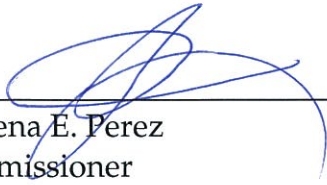
<sup>12</sup> YIGO CT PLANT REPAIR COST, attached to the GPA Petition, GPA Docket 16-07, filed April 27, 2016.

<sup>13</sup> GPA Petition, GPA Docket 16-07, filed April 26, 2016, at p. 2.



Order  
GPA Petition for Approval of the  
Yigo CT Repairs  
GPA Docket 16-07  
April 28, 2016

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Rowena E. Perez  
Commissioner


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Michael A. Pangelinan  
Commissioner

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Filomena M. Cantoria  
Commissioner


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Peter Montinola  
Commissioner

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Andrew L. Niven  
Commissioner