

GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
April 27, 2017
SUITE 202, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:30 p.m. on April 27, 2017, pursuant to due and lawful notice. Commissioners Johnson, Perez, McDonald, Pangelinan, Montinola, Cantoria, and Niven were in attendance. The following matters were considered at the meeting under the agenda made *Attachment "A"* hereto.

1. Approval of Minutes

The Chairman announced that the first item of business on the agenda was approval of the minutes of February 23, 2017. Upon motion duly made, seconded and unanimously carried, the Commission approved the minutes subject to correction.

2. The TeleGuam Holdings LLC

The Chairman announced that the next item of business on the agenda was GTA Docket 17-02, Joint Application of TeleGuam Holdings and Forager Holdings for Approval of the Transfer of Control of TeleGuam Holdings to Forager Holdings, ALJ Report, and Proposed Order. ALJ Horecky indicated that the Applicants were requesting approval of the transfer of control of AP TeleGuam Holdings from the AP Funds, the current owner (Japanese investment funds) to Forager Corporation. Forager's ultimate corporate parents are Huntsman Family Investments and the Huntsman Foundation. The principal of both, John Huntsman Sr., is the founder of the Huntsman Corporation. The Huntsman family is well established and well known in Utah; the family patriarch, John Huntsman Sr. established the Huntsman Corporation. Huntsman family investments and the Huntsman Foundation are controlled through John Huntsman and his family. The Huntsman family would be an investor in GTA; it is not a telecom company operator.

The Commission is very familiar with the requirements for the transfer of ownership of a telecommunications company, having gone through a number of these proceedings. There are two statutory items that the Legislature mandated the PUC to consider and determine before it approves a transfer of control. The first is that the Applicants possess sufficient financial, managerial, and technical resources to continue to run the telecom company after the sale. TeleGuam Holdings LLC is one of the applicants. The Commission knows that GTA has successfully operated one of the main telecom companies on Guam. Since the privatization of GTA, it has been able to successfully provide telecom services to the people of Guam.

After the sale, there will not be a change in the resources of GTA. The same plant, inventory and all equipment used to provide telecom services will still be with GTA. It will be capable of providing the same services after the sale. The Financial Statements of GTA indicate that revenues have been increasing yearly; the company has successfully been able to pay off its debt on a yearly basis. The ALJ concludes that, after the sale, GTA will still have the same resources and it will be capable of providing the telecom services that it currently provides.

Forager Holdings Corp. will be the holding company of GTA's present owner AP Teleguam Holdings. Forager is controlled by the Huntsman Foundation and the Huntsman Family Investments. Another group, B88 Financial Group LLC will have a small voting equity in Forager. The Huntsman Foundation has substantial financial assets. Having reviewed the financials of Huntsman Foundation, it and Huntsman Family Investments are well positioned to support GTA after the sale. These Parties have committed to a Capex investment program of GTA in the amount \$17M a year for five years. Thus, the Applicants have satisfied the requirement that there be significant and sufficient financial resources to maintain the same level of services after the sale. As far as technical and managerial services, GTA has a seasoned management staff that the Commission has worked with for many years; the PUC knows that GTA is well capable of providing the telecom services. The Huntsman group will not change the operating authorities in Guam and the same management team that has been with GTA will continue to operate it. The ALJ finds that there will be sufficient technical and managerial resources available to GTA after the sale in this case.

The final criteria which the Legislature mandated the PUC to consider but is whether the sale "is not contrary to the public interest." What this means is that the sale could be disapproved if there was something very detrimental about the purchaser, such as legal issues or other factors which would clearly make the sale contrary to the public interest. In this case, there is nothing in the record whatsoever to establish that there is anything negative about the purchaser; to the contrary, the Huntsman family is very well known and respected. There is no glint of a suggestion that the sale would be contrary to the public interest.

At the public hearing, there was only one member of the public that testified, other than the Applicants. Mr. John Day, President of PDS, raised a few questions about what the rates would be with GTA after the sale. However, there was nothing in Mr. Day's testimony that objected to the sale or that indicated he was against the sale. Mr. Day did not suggest that there was anything contrary to the public interest about the sale. Therefore, ALJ concludes that the two statutory criteria for the sale of a telecom company have been satisfied in this case. The ALJ recommends that the Commissioners approve the transfer of control and sale of GTA to the Forager Group.

There are a few conditions that should be placed in the Order. PUC approval is subject for approval by the Federal Communications Commission from its ongoing

proceedings. The Parties must fully carry out their Agreement and Plan of Merger. Applicants have recognized that they continue to be a subject to the terms, conditions and requirements of all PUC Regulations and Orders and that Applicants will comply with the terms of the existing Certificates of Authority. On the record at the public hearing, all Parties agreed, including Huntsman Family Investments and Huntsman Foundation, that they would comply with all requirements of the Certificates of Authority. The Certificates of Authority, in this case, will stay exactly where they have always been-- with TeleGuam Holdings LLC. There is no actual transfer of the Certificates of Authority. For the foregoing reasons, the ALJ recommends that the Commissioners adopt the Order approving the sale and transfer of ownership and control of TeleGuam to Forager Holdings Corporation, subject to the aforementioned conditions. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the transfer of control of GTA to the Forager Holdings Corp. and adopted the Order made *Attachment "B"* hereto.

3. Guam Waterworks Authority

The Chairman indicated that the next item of business was GWA Docket 17-05, Petition for Approval of a New Insurance Policy Contract with AM Insurance, ALJ Report, and Proposed Order. ALJ Alcantara indicated that this matter concerns GWA's Petition to approve a proposed contract for insurance with AM Insurance. In December of last year, the Commissioners authorized GWA to issue an Invitation for Bid for insurance. In February of this year, GWA issued IFB No. GWA 2017-12, which sought sealed bids for property insurance, general liability insurance, Directors' and Officers' liability insurance, auto insurance, crime insurance, and cyber insurance.

When GWA opened the bids, only one firm submitted a bid: AM Insurance. GWA seeks approval of annual premiums for a five year term. For property insurance, there is a \$30M blanket coverage; the premium is \$701,000.00. The premium for general liability is \$115,000.00. Directors' and Officer liability insurance, with a \$2M limit, has a premium of about \$15,609.00, the crime insurance has a premium of \$5,245; cyber insurance, with a \$5M limit, has a premium of \$28,000.00; and auto insurance, for coverage of 150 vehicles, has a premium of about \$39,000. The total cost or coverage for the five year term offered by AM is \$4,528,804.00.

The Petition is supported by CCU Resolution No. 23-2017, which authorizes GWA to award the contract to AM Insurance. This Commission has consistently found that GWA's 2005 Bond Indenture, along with its supplemental indentures, requires GWA to maintain insurance on the system in amounts and against risks normally maintained by other water and wastewater authorities. The Commission has also previously found that the availability of property insurance would potentially benefit ratepayers with regard to the protection of system assets; insurance proceeds can assist in recovery efforts after natural disasters such as typhoons and earthquakes. Finally, according to GWA, there are savings of \$818,000 when the proposed contract is compared to GWA's

current 5-year policies (which do not currently include cyber insurance). The Insurance Contract approved by the PUC in 2012 was for about \$6M. The ALJ recommends that the PUC approve the contract with AM Insurance for the indicated coverages and at a total cost of \$4.5M.

The Chairman indicated to ALJ Alcantara that the prior insurance contract had been about \$6M, and the savings were anticipated to be \$819,000 under the new contract. ALJ Alcantara confirmed that was correct. Commissioner McDonald asked whether there was any change on the deductible from the current contract. Greg Cruz, CFO of GWA, indicated there was no change. Commissioner Montinola asked whether the policy was pretty much the same except for the savings. Mr. Cruz indicated that cyber insurance was a new inclusion within the policy. That was a benefit to GWA. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Insurance Contract between GWA and AM Insurance at a total cost of \$4,528,804 for the 5-year term. The Commissioners adopted the Order made *Attachment "C"* hereto.

4. Guam Power Authority

The Chairman announced that the next item of business on the agenda was GPA Docket 15-05, Amendment of PUC Order Regarding New Generation, PUC Counsel Report, and Proposed Order. PUC Counsel indicated that three potential contractors for the New Generation Bid had contacted the PUC. Last year the Commission had authorized GPA to go out for bid on combined cycle units for up to 180MW of new generation. PUC does not ordinarily entertain bidders for GPA projects. In this case, the bidders were either referred to PUC by GPA or independently decided to come to the PUC. PUC has sometimes met with contractors to gain an understanding of new technology.

Counsel had discussions with these three potential bidders who wanted to participate in the procurement based upon an LNG proposal, and one for liquefied petroleum gas. These three bidders indicated they have been told by GPA that they likely couldn't participate in the bid process because PUC had only approved combined cycle plant technology for this bid. If one looks at the original PUC Order approving the procurement, it did only really address combined cycle units. That was the technology that GPA requested approval for. Looking back at the history of this docket, however, PUC previously had a number of reports from its Consultant Lummus which had focused on the fact that GPA perhaps had been too restrictive in deciding how to issue this procurement and that it should let the market determine what technologies were out there and what technologies could provide generation capacity.

As Commissioner Niven previously indicated, the power procured must be baseload, reliable, efficient and least cost. The PUC does not favor one technology over another, but seeks any technology that could do the job for the least cost. This position has been repeated by PUC Consultant Lummus in various reports. Thus, the existing PUC Order is perhaps too restrictive. The holding in the original PUC Order that LNG was not approved was really directed to the \$1B plan for LNG that GPA had proposed.

The Chairman, when these factors had been explained, requested that PUC Counsel bring this matter before the PUC. That is the purpose of the proposed Supplemental Order. It would clarify two aspects: first, with the procurement for new generation, GPA should be able to consider any technology, not only combined cycle units, which provide efficient, reliable and least cost baseload generation. Second, LNG proposals could be considered to the extent that they comply with the foregoing criteria. This is not to say that GPA might not ultimately decide that combined cycle units are the best technology. The Order would simply clarify that the bidding should be opened up to any technology that could meet the desired requirements.

On behalf of GPA, GPA Legal Counsel Botha indicated that GPA does not have issues with the proposed Order. GPA's consultant, Stanley Consultants, is developing the specifications at present for the bid. GPA would certainly take this into account and consider all available technologies. To the extent possible, it will look into LNG or LPG. Of course, for LNG someone has to put in infrastructure investment. GPA does not wish to price itself out of the market, but it will ask its Consultants to include such proposals in the proposed specifications.

Commissioner Perez asked whether putting out the bid for different options would align with the fact that there has been a study done on renewables. GPA Counsel Botha agreed. He indicated that GPA has always intended to put out a bid for dual fired ultra- low diesel plus LNG plants. However, earlier research showed that the LNG would be more expensive than diesel. GPA would still put it out to bid. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Supplemental Order, which authorized GPA to seek other technologies for its new generation, including LNG, and adopted the Order made *Attachment "D"* hereto.

The Chairman announced that the next item of business was GPA Docket 17-04, Application Requesting Approval of Award for a Performance Management Contract for the Management, Operation and Maintenance of the GPA Fuel Farm Bulk Storage. PUC Counsel asked GPA Counsel if a bid protest had been filed by Vital Energy regarding this bid on April 25. GPA Counsel confirmed that a bid protest had been filed. He advised PUC that it should not take further action on the bid at this time.

5. Port Authority of Guam

The Chairman announced that the next item on the agenda was PAG Docket 17-01, Five-year Tariff Petition, Slater-Nakamura Report, ALJ Report, and Proposed Order. For the record, Commissioner Pangelinan indicated that he would recuse himself from participation in this matter as his firm is involved in a pending arbitration proceeding with the Port. Such proceeding was mentioned in the ALJ Report and the Consultant's Report. ALJ Alcantara indicated that this matter concerned PAG's Five-year Tariff Petition. PAG published notice of the proposed increases to certain terminal tariff rates last September. On November 16th of last year, PAG filed the subject rate petition. That petition was transmitted to PUC Consultant Slater-Nakamura for a review. The Slater-

Nakamura Report was provided to the PUC on March 7, 2017. Public Hearings concerning the petition were held in the villages of Agana, Agat and Dededo on April 5, 6, & 7, 2017.

The rate petition is based on the testimonies by PAG General Manager Joanne Brown and other Port Officials. It is based on PAG Resolution No. 2016-05. The rate petition proposes a 7% general increase on certain PAG's terminal tariff rates, excluding its crane surcharge, for Years 1 & 2, and a 1% increase for Years 3 through 5. PAG submits that the rate increase proposed is vital for generation of sufficient revenues to cover operating cost of the Port, debt service, and capital program costs for modernization and sustainability. PAG contends that the rate petition is part of a long-term plan that will allow the Port to keep pace with inflation and to fund all necessary Port modernization program investments, future crane replacements, and all other investments needed to operate through the 20-year planning horizon. PUC Consultant Slater determined that the proposed tariff rate increases were consistent with the consumer price index on Guam, finding that the increases in tariff had a marginal impact on consumer prices. A modest increase in per container costs for various food items was presented.

Slater indicated that Hawaii rate increases for its Port were significantly higher than those proposed by PAG. Slater concludes that the proposed rate increases of PAG are just and reasonable. It determined that the rate plan would support PAG's continued payment on debt service on the existing loans, approximately \$2.2M per year. From 2017 through 2021, PAG intends to implement capital projects that total about \$57.7M, which include a gate operating system, replacement of PAG's Admin. Building, renovations to Hotel Wharf and replacing the water line. Slater indicated that the projected growth rates and baseline volumes per cargo were extremely conservative, as were the revenue projections. There would be sufficient cash flow to support operating costs, expenses and funding of the capital improvement plan. PAG would also have sufficient cash flow to replace Crane 3 in 2018. The rate increases would have minimal impact on the market basket for the average Guam consumer and are less than those approved for the bench mark Port, Hawaii.

Slater-Nakamura recommended that PUC approve the rate plan as petitioned. PAG should provide the PUC with a detailed timeline for its debt issuance as well as to provide semi-annual reports regarding the status of PAG's securing such bonded debt.

ALJ Alcantara then proceeded to discuss the public hearings which occurred in this matter, the witnesses who testified, and the nature of the testimony. The President of the Guam Chambers of Commerce Ms. Catherine Castro, opposed the proposed increases. Grocery prices would be impacted for families, and such increases, along with other current business issues, would impact businesses. A number of the witnesses opposed the increases and requested that PAG reconsider the five-year rate plan. The ALJ concluded that the PAG's request for general rate increases was

reasonable, prudent and necessary to generate sufficient revenues to cover operating costs of the Port, debt service and capital programs for modernization and sustainability. It concluded that the rate increases were just and reasonable, and recommended approval by the PUC.

PAG General Manager Joanne Brown proceeded to speak on behalf of the Port. She appreciated the work of PUC staff and consultants. With regard to the proposed Order, she requested that PAG be allowed to give its customer a 30-day notice before the rates would be affective. She believed that these rate increases would assist the Port in continuing with the infrastructure improvements that it has made. She requested approval by the Commissioners on the tariff request.

Commissioner Niven asked Ms. Brown how long it would take for the PAG rate increases to work their way through to an impact on the end-use consumers. Ms. Brown indicated that the carriers would address this within the 30-day time frame. Ms. Brown did not agree with the Chamber of Commerce estimate and that there would be a \$29.00 increase for every family on Guam. She felt that the increase would be less than \$.01 for each food item referenced. The Port must pay to address the infrastructure in order to continue to provide the services to carriers and allow them to come in and discharge their cargo. If the Port doesn't address maintenance, upgrades in technology, and issues of cyber security, this would create an even greater threat than has existed in the past. To move forward in order to provide consistent service to the public, the private sector, and the military, PAG needs to invest millions in the infrastructure.

The PUC will continue to monitor the activities of the Port; if circumstances change, the Port will come back to the PUC and it will review these matters. There may be an impact from the military buildup and with the impact of the construction industry being felt now. If the Port continues to get more and more cargo, it may be able to reduce the present rate increases.

The Chairman noted that the number of containers handled that were being transshipped was going down for 30 years, but now had increased drastically within the last couple of years, almost double than the last two years. He wondered what was occurring. The GM indicated this was a result of adjustments from the cargo that passes through Guam. It involves transshipment from Guam to Majuro and adjustments in the Guam-Saipan shipment. A new carrier APIL has come on board in the past year in a half to service Guam. The Chairman asked whether that number would carry on in the future. GM Brown indicated there was that hope. The carriers react to market conditions and what is financially most feasible for them. The markets decide containers carried, not the Port. For some time Guam will maintain a certain share of that market by virtue of its location and the services that it provides as a transshipment hub for the region.

Commissioner McDonald asked about increases for container charges and whether there was any commodity increase above \$37 per container. He wondered whether

water, fresh fruits and diapers would be below the \$37 or above. GM Brown indicated that it would be difficult to say overall, as mixed goods are in a single container and the Port hasn't determined that price impact on every single item. The more frequently used commodities in the community have been identified and used as benchmarks. PAG Consultant Robert Hanson of Parson Brinkerhoff indicated that the Chamber of Commerce claim of a 7% increase in all commodities is incorrect. The increase is 7% of the cost of the lift, \$20.00 a container. If there are 50,000 units in that container, the increase is less than a penny per unit. A can of spam would be less than a penny increase.

Commissioner Niven asked the ALJ if, the proposed order was approved whether the approved 7-7-1-1-1 increases would be approved tonight, and not require the Port to come back for any review or approval by the PUC. ALJ Alcantara indicated that was correct, the increases are automatic. The Chairman asked whether the PUC would be doing a true-up analysis along the way based upon other parameters that may change over the 5-year period. GM Brown anticipated that the PUC might want to reassess within a year. Many things could change. If the military buildup gets in swing, there would be a lot more activity that might gain enough revenue to cover what had been requested in a rate increase. There could be downward adjustment. The Port has no issue with this. ALJ Alcantara indicated that the Order as written does not have the Port returning to the Commission every year. PUC review is only triggered by one of the conditions that are outlined with regard to the Consumer Price Index, a 5% variance, or with regard to the YTK acquisition of the Wharf. Those items are itemized in the Order.

Commissioner Perez indicated that with other agencies the PUC usually includes language regarding a five year plan that they come back to the Commission for review. The ALJ concurred. Commissioner Perez indicated that the Commission could have such a review, and the ALJ again concurred. The Commission could decide to have PAG come back every year. A provision could be added to the Order if that is what the Commission chooses. As written, based upon the Slater recommendation, there is no true-up process built into the Order as it is currently written. GM Brown indicated that the Port had no problem if the Commission desired such a procedure.

The Commissioners then discussed the fact that if there was a true-up, the Port would have to come back in a couple of months because the second increase goes into effect on October 1, 2017. Commissioner Niven sought to clarify the process. Commissioner McDonald indicated that there would be a rate increases for the Port in 30 days of the 7%, and in 4 months another 7%. So, there would be a need to be a true-up in December of this year for the second 7%. Commissioner McDonald then proposed that the second 7% could occur on January 1, 2018. It would be subject to review and approval. Commissioner Montinola asked whether the rate increases could be spread out more, i.e. 3% per year to spread things out. GM Brown indicated that the existing percentages were arrived at to enable the Port to issue a bond and to finance its

infrastructure upgrades. PAG originally planned to seek yearly rate increases of the 7%, but the PAG board was not prepared to support such a five year tariff agreement. Then the Port only sought a one year increase of the 7% before the PUC, which was approved.

A Parson's representative asked whether subsequent increases would require another approval before they went into effect or simply a report from the Port on how things are tracking. The Chairman felt that it would be more of a report to follow through to see if anything has changed. That is the procedure with GWA. Generally, the original five year plan is not altered. Things can change along the way over five years. It is good for both the Port and PUC for ratepayers to keep abreast of the situation as the conditions change. The procedure is not a whole new rate tariff but a checking and seeing where the situation is one year later. The Chairman indicated that Commissioner McDonald suggested that the second increase would happen on January 1, 2018. There would be a true-up later in 2017, which would be reviewed by the PUC in December.

Alfred Duenas, Port Representative, indicated the problem with Commissioner McDonald's proposal would be from the financial stand point in terms of the credit rating agencies. They prefer rates that are more symmetrical. It is easier for the credit analyst to analyze Port-flow requirements and needs, and performance, and to factor in the debt payments. They are ordinarily on a fiscal year basis. Doing the increases on a 7-1-1-1 annual basis is symmetrical and easier for the credit market bond investors and everyone else to look at. This is PAG's first time going into the credit market. A smooth, steady rate plan would be preferable for everyone.

The Chairman asked when PAG would be going to the credit market. GM Brown indicated that will take approval from the Guam Legislature. Most of the legislation has been completed. It's now in the process of being introduced. Mr. Duenas indicated PAG hoped to go to the credit market in July of this year. Commissioner McDonald understood the PAG concern with rates being symmetrical. However, the rate increases he proposed were concrete, only not symmetrical for the first fiscal year. Mr. Duenas again indicated that for planning purposes the rate increases were lined up to assist PAG in the bond market. The Chairman indicated that this probably would not have a big impact on the credit market. GWA had a five year plan, and the bond market has responded favorably to it. It was known within the bond market that the PUC does annual true-ups with GWA every year.

Mr. Duenas pointed out that GWA has only one or two classes of customers. The Port has to take into consideration the various shippers, suppliers, and everything else. If they have a more fixed rate schedule, it would be easier for them to service their customers. It is preferable to have set rates instead of a different starting rate depending on the year. The Chairman indicated that with GPA and GWA there have been rate increases which went beyond October 1. The utilities were allowed to capture the rates for the entire fiscal year through compression. This is known in the bond

market and working with the PUC and agencies. It would not be troublesome to do what Commissioner McDonald proposed. Commissioner Niven understood the amended proposal to mean that the Port would be deprived of two months' worth of a 7% increase he wished to understand that. Commissioner Niven asked Ms. Brown whether she saw the two months delay as a problem. She said that she did not. She believed that PAG should allow their customers a time to adjust to the rates to accommodate the customer base. There's more to gain than the dollars and cents PAG will be losing in that 30-day period.

The Chairman clarified that the PUC was looking at a true-up later in December for the second increase and then each summer for subsequent fiscal year increases. Commissioner Niven indicated there was a difference between just a report with subsequent increases, and a report that needs PUC approval. GM Brown indicated that in any event, the PUC would not be prevented at any time from overseeing utilities and coming back to bring up new issues. The Chairman concurred. Commissioner Niven clarified that, absent a vote by the Commission, the second 7% would go into effect on January 1, 2018. ALJ Alcantara suggested that PAG report to the PUC the true-up information at the end of October, and not at the end of the fiscal year. Actual numbers can be provided. The next rate increase could be implemented by January 1, 2018. The Parson's representative has to clarify when the report would be due. ALJ Alcantara indicated it would be due at the end of October. Upon motion duly made, seconded and unanimously carried, with one abstention, the Commissioners approved the PAG amended rate plan as proposed by Commissioner McDonald. The Commissioners adopted the Order made *Attachment "E"* hereto.

6. Administrative Matters

Counsel indicated that the Contract extension of Mr. George Kim's Contract for Administrative and Bookkeeping Services was before the PUC. The contract cost the PUC \$1200 per month for 48 hours of service. Counsel believes that Mr. Kim has been helpful in assisting Administrator Palomo in the office. Perhaps Ms. Palomo would like to speak to that matter.


Ms. Palomo indicated that Mr. Kim does help out. He does more of the accounting and the reporting. She felt his contract should be approved. Commissioner Niven wondered if the PUC had moved ahead on getting a part time assistant for Administrator Palomo to help with administrative matters. Counsel indicated that had been discussed, and that they were working on a description of duties and responsibilities. Counsel indicated the problems with hiring for the PUC—it cannot provide normal government entity benefits such as health care and retirement. Anyone who takes a job with the PUC has to pay their own GRT tax. If someone is hired in a contractual employment, the PUC may have to offer higher compensation to compensate for the other items that cannot be provided. Commissioner Niven felt that someone else should be hired to assist the Administrator with the administrative duties.

Administrator Palomo indicated that Mr. Kim does do simple administrative tasks, such as answering phone/making coffee. He does a lot of accounting, and does the oversight of the Administrator's financial reports. Ms. Palomo thinks it would be helpful if there was someone that she could train. However, someone cannot just be brought in as a secretary or receptionist. There has to be training for knowledge of regulatory matters. The candidates best suited would be from the legal side, the legal firms. It would be a good idea to have someone at least part time.

Commissioner Montinola asked how many hours Mr. Kim works. Ms. Palomo indicated it was four hours per day, just in the mornings. Commissioner Montinola indicated that the Commission would need someone who could hit the ground running. Ms. Palomo indicated the position could be part time, Monday, Wednesday, and Friday (three days a week).

Commissioner Perez asked whether Mr. Kim's services were still needed. Ms. Palomo indicated that they were on the accounting side. She believed Mr. Kim should have one more year. He works by himself. The Chairman felt that Mr. Kim was a valuable help for the Commission. Ms. Palomo suggested that a person could be hired under her contract. Counsel indicated the difficulty was that PUC does not have standard government benefits. The Chairman asked Ms. Palomo if she was recommending that Mr. Kim be entertained for the next fiscal year. She agreed. Commissioner Montinola asked if there was recourse or whether the Commission was locked in for a year. Counsel indicated that the contract could be terminated upon 30 day notice. Upon motion duly made, seconded and unanimously carried, the Commissioners authorized staff to begin looking for an assistant to help the Administrator with her duties. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the one year extension of the contract with Mr. Kim for Administrative and Bookkeeping Services.

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



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., April 27, 2017**

Agenda

1. Approval of Minutes of February 23, 2017
2. TeleGuam Holdings LLC
 - GTA Docket 17-02, Joint Application of TeleGuam Holdings, LLC, and Forager Holdings Corp. for Approval of the Transfer of Control of TeleGuam Holdings, LLC to Forager Holdings Corp., ALJ Report, and Proposed Order
3. Guam Waterworks Authority
 - GWA Docket 17-05, Petition for Approval of New Insurance Policies Contract with AM Insurance, ALJ Report, and Proposed Order
4. Guam Power Authority
 - GPA Docket 15-05, Amendment of PUC Order re: New Generation, PUC Counsel Report, and Proposed Order
 - GPA Docket 17-04, Application Requesting Approval of Award for a Performance Management contract (PMC) for the Management, Operation and Maintenance of the GPA Fuel Farm Bulk Storage, PUC Counsel Report, and Proposed Order
5. Port Authority of Guam
 - PAG Docket 15-04, Five Year Tariff Petition, Report by Slater Nakamura Re: Tariff Investigation, ALJ Report, and Proposed Order
6. Administrative Matters
 - Extension of PUC Contract for Administrative and Bookkeeping Services
 - Commission Meeting Schedule
7. Other Business

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN RE: JOINT APPLICATION OF)
TELEGUAM HOLDINGS, LLC, AND) GTA Docket 17-02
FORAGER HOLDINGS CORP. FOR)
APPROVAL OF THE TRANSFER OF)
CONTROL OF TELEGUAM HOLDINGS,)
LLC, TO FORAGER HOLDINGS CORP.)
_____)

**ORDER APPROVING SALE/TRANSFER OF OWNERSHIP AND CONTROL OF
TELEGUAM HOLDINGS, LLC, (SUBJECT TO CONDITIONS)**

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Joint Application of TeleGuam Holdings, LLC, ["GTA"] and Forager Holdings Corp. ["Forager"] for approval by the PUC of the transfer of control of TeleGuam Holdings, LLC, to Forager Holdings Corp.¹
2. If the sale is approved, Forager Holdings Corp. will purchase all of the ownership interest of the current owners, a group referred to as the "AP Funds", in AP TeleGuam Holdings LLC. AP TeleGuam Holdings LLC is currently the owner of one hundred percent (100%) of the interest in TeleGuam Holdings, LLC.
3. GTA and the other Applicants request that PUC authorize Forager Holdings Corp. to become the direct, one hundred percent owner of AP TeleGuam Holdings Inc ["APTG"].

BACKGROUND

4. On February 28, 2005, the PUC issued a "Grandfather" Certificate of Authority to TeleGuam Holdings, LLC, authorizing it to provide facilities based and resold local exchange telecommunications services in Guam.²

¹ Joint Application of TeleGuam Holdings, LLC, and Forager Holdings Corp. for Approval of the Transfer of Control of TeleGuam Holdings, LLC to Forager Holdings Corp. [hereafter "Joint Application"], GTA Docket 17-02, filed March 3, 2017.

² TeleGuam Holdings, LLC, Certificate of Authority, Docket 05-02, issued by the PUC on February 28, 2005.

5. After privatization of GTA in 2005, Shamrock Capital Advisors purchased the company as its first private owner.³
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."⁴
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 March 20, 2017, and April 10, 2017, 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.⁵
8. On April 18, 2017, 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 B88, HFI/Huntsman Foundation, Forager Holdings and GTA. There was testimony from one member of the public, John Day, President of Pacific Data Systems Inc. Although Mr. Day raised post sale rate issues, he did not indicate that he opposed the sale. The ALJ, Chairman Johnson, and Commissioners Andrew Niven, Michael Pangelinan, and Peter Montinola questioned the Applicants and related parties concerning their testimonies.
9. On April 25, 2017, the Administrative Law Judge issued his Report herein.⁶

A DESCRIPTION OF THE TRANSACTION

10. On February 1, 2017, Huntsman Family Investments ["HFI"] announced that it and its affiliates had entered into an Agreement to acquire GTA.⁷

³ GTA TeleGuam News Release issued on November 15, 2010.

⁴ 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.

⁵ PUC Public Notice of Application of TeleGuam Holdings, LLC for PUC Approval of the Transfer of Control of TeleGuam Holdings, LLC to Forager Holding Corp., GTA Docket 17-02, published in the Pacific Daily News on March 20, 2017, and April 10, 2017.

⁶ ALJ Report, GTA Docket 17-02, dated April 25, 2017.

⁷ Huntsman Family Investments Press Release dated February 1, 2017.

11. Under the proposed arrangement, the direct owner of AP TeleGuam Holdings LLC will be Forager Holdings Corporation.⁸
12. After the sale, AP TeleGuam Holdings Inc. will be “renamed” as TeleGuam Holdings Inc. Forager Holdings Corp. will become the direct, one hundred percent owner, of TeleGuam Holdings, Inc.⁹ Forager will indirectly own one hundred percent of TeleGuam Holdings, LLC.¹⁰
13. Forager will be owned by B88 Financial Group LLC [“B88”] and Mariana Holdings, LLC [“Mariana Holdings”].¹¹
14. Mariana Holdings will be owned by Huntsman Family Investment LLC [“HFI”] and the Huntsman Foundation, a Utah non-profit corporation. HFI will own 20 percent of Mariana Holdings, and the Huntsman Foundation will own 80 percent.¹²
15. HFI is the investment platform for the Jon M. Huntsman, Sr. family focusing on long-term investments in a diverse range of business sectors, and is owned and controlled by Jon M. Huntsman Sr. and Paul Huntsman. The Huntsman Foundation is a private family foundation supporting humanitarian and educational initiatives, and is controlled by Jon M. Huntsman Sr.¹³
16. Huntsman Corporation is a multinational manufacturer and marketer of chemical products for consumers and industrial customers.¹⁴
17. Both Paul Huntsman and Benjamin Wu (the principal of B88) will be on the governing Board of Forager Holdings Corp.¹⁵
18. On March 9, 2017 Applicants filed, under seal, a copy of the Agreement and Plan of Merger.¹⁶ The agreement contains a detailed description of the terms and

⁸ Joint Application, at Exhibit A-3.

⁹ Id. at Exhibit A-3 [Diagram of Post-Transaction Corporate Structure of Forager, AP TeleGuam, and TeleGuam].

¹⁰ Id.

¹¹ Id. at p. 3 and f.n. 1.

¹² Id.

¹³ Id. at p. 3.

¹⁴ The Huntsman Corporation, Wikipedia encyclopedia.

¹⁵ Representation by the Applicants at the Public Hearing on April 18, 2017.

¹⁶ Id. at Exhibit F.

conditions of the sale.¹⁷ The parties have agreed that the Agreement must be fully consummated by January 31, 2018.¹⁸

19. With regard to the present transaction, Purchaser Forager will purchase all of the ownership interest of the AP Funds in APTG, including indirect ownership of TeleGuam Holdings LLC [GTA]. A “Merger Sub” [Forager Acquisition Corp.] will merge into APTG. APTG will become a direct wholly-owned subsidiary of Purchaser Forager; and TeleGuam [GTA] will become an indirect wholly-owned subsidiary of Purchaser. The proposed transaction will not involve a change in GTA’s operating authorities in Guam.¹⁹
20. Subject to certain conditions, APTG will file a merger certificate confirming the merger of APTG and the merger sub.²⁰ Closing of the transaction will occur on the tenth day following the satisfaction or waiver of the conditions set forth in Article 7 of the Agreement.²¹
21. The transaction must also be approved by the Federal Communications Commission.²²
22. When the transaction is completed, APTG will be the surviving entity. APTG will be renamed as TeleGuam Holdings Inc.²³

DETERMINATIONS

23. 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).

¹⁷ Id.

¹⁸ Letter from Applicant Forager’s Counsel, Jehan Martinez, to ALJ Frederick J. Horecky, dated April 18, 2017.

¹⁹ Joint Application at p. 5.

²⁰ Agreement and Plan of Merger, GTA Docket 17-02, filed [pursuant to GPUC Rules relating to the Protection of Confidential Information] March 9, 2017, at §1.02.

²¹ Id. at §3.01.

²² See Joint Domestic and International Application, In the Matter of the Joint Application of TeleGuam Holdings, LLC., Licensee, AP TeleGuam Holdings, Inc., Transferor, and Forager Holdings Corp., Transferee, for Grant of Authority to Complete a Transfer of Control of the Licensee Pursuant to Section 214 of the Communications Act of 1934, as Amended, and Sections 63.04 and 63.24 of the Commission’s Rules, filed with the Federal Communications Commission, on February 10, 2017.

²³ Joint Application, at Exhibit A-3.

24. 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 contrary to the public interest.²⁴
25. 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 holding company for GTA is APTG (AP TeleGuam Holdings LLC). Applicants have filed herein the “Consolidated Balance Sheets” for APTG as of December 31, 2013, 2014 and 2015.²⁵ Such Balance Sheets and Income Statements 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.
 - b. GTA owns assets, including property, plant and equipment which constitute its telecommunications system and enable it to provide telecommunications services.²⁶
 - c. The Balance sheets and Income Statements indicate that there was a consistent and healthy increase in GTA’s revenues for each year from 2013 to 2015 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. There is every indication that Applicants will continue to have the same strong financial resources available to provide telecommunications

²⁴ See 12 GCA §12203(c) (1) and (2).

²⁵ Exhibit D to Application, GTA Docket 17-02, filed under seal on March 9, 2017.

²⁶ Id.

services after the sale as they had before the sale. GTA will continue to own the same assets and telecommunications system.

- f. Because the proposed transaction will occur at the holding company level, there is no proposed change in any of the assets or liabilities of TeleGuam; the Applicants will continue to possess the same strong financial qualifications that they do at present after the sale.²⁷
 - g. No changes are required to the existing Certificates of Authority. Those Certificates are not being transferred to a new or separate company; they remain with the same company that is presently providing telecommunications services [GTA].
 - h. The PUC, by previously granting Certificates of Authority to TeleGuam Holdings LLC, determined that GTA possesses sufficient financial resources to provide the telecommunications services covered by the Certificates of Authority.
26. Purchaser Forager Holdings Corp., its immediate parent companies B88 Financial Group LLC. and Mariana Holdings LLC., and its indirect parent companies, Huntsman Family Investments LLC. and the Huntsman Foundation, have the necessary financial resources to provide the telecommunications services in Guam after the transfer of control of GTA:
- a. Purchaser has adopted the Five Year Build- Out Plan previously filed by GTA, under which an additional approximate amount of \$17M per year will be spent on telecom capital investment on Guam.
 - b. The Purchaser has committed to continue to build the infrastructure improvements set forth in the Five Year Build-Out Plan. The Purchaser has also agreed to continue with GTA's 2017 "Capex Plan", which will expand 3G and LTE wireless capabilities, extend fiber to the Neighborhood (VDSL2), build infrastructure to provide high speed internet and digital television capabilities to more island neighborhoods, and extend fiber deeper into the network.²⁸

²⁷ Joint Application at p.6.

²⁸ Id.

- c. HFI commits to assist GTA in growing its wholesale and international business in the region.²⁹
 - d. The Financial Statements of the parent companies of Forager indicate that they have substantial financial assets.³⁰ Financial records of the Huntsman Foundation indicate that company assets are in excess of \$500,000,000.³¹
 - e. Applicants represent that, as a result of its new ownership, TeleGuam will enjoy access to the financial and management resources of Huntsman Family Investments and the Huntsman Foundation.³² HFI is owned by Jon Huntsman Sr.; the Foundation is controlled by him. The assets are pooled collectively between Mr. Huntsman and the entities.
27. The Applicants have sufficient technical and managerial resources to provide telecommunications services in Guam and will continue to have such resources after the sale.
- a. The Applicants indicate that “the proposed transaction will not involve a change in TeleGuam’s operating authorities in Guam.”³³
 - b. The same management team which has guided GTA forward will continue to manage GTA after the transfer of control of TeleGuam Holdings, LLC to Forager. That management team has demonstrated its ability to successfully provide telecommunications services to the people of Guam under the Certificates of Authority.
 - c. The current experienced Management Team, whose biographies are set forth in Exhibit B to the Application, will continue to provide the telecommunications services authorized under the Certificates of Authority.³⁴

²⁹ Presentation of Applicants to the PUC on April 18, 2017, at p. 8.

³⁰ See Exhibit E to the Joint Application, GTA Docket 17-02, Financial Results for 2016 for the Huntsman Corporation.

³¹ Financial Records of the Huntsman Foundation, filed under seal.

³² Joint Application at p. 7.; see also Huntsman Family Investments Presentation at 7(HFI will provide greater training opportunities for GTA’s local workforce and working opportunities beyond Guam).

³³ Joint Application at pgs. 5-6.

³⁴ Exhibit B to Joint Application.

- d. In addition, the Purchaser indicated to the PUC during its presentation that it currently does not plan to become directly involved in the day to day management of TeleGuam Holdings LLC.³⁵
 - e. It has committed to supporting GTA's local work force and plans to provide greater training opportunities and working opportunities beyond Guam.³⁶
 - f. As a result of its proposed new ownership, GTA will enjoy access to the resources of Purchaser and its parent companies. GTA and Forager will be positioned to provide competitive service offerings and provide customers on Guam with better service, more service choices and competitive pricing, including investment in the SEA-US submarine cable, and the recent roll out of "Fiber to the Neighborhood."³⁷
28. Approval by the PUC of the sale/transfer of control of TeleGuam Holdings to Forager Holdings Corp. and its parent companies is not "contrary to the Public Interest."
- a. There is no evidence in the record in this proceeding that the transfer of control of GTA to Forager 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 Forager/its parent companies; (3) telecommunications customers in Guam have benefited from the continuing capital investments by GTA, and such

³⁵ Presentation of Applicants to the PUC on April 18, 2017.

³⁶ Presentation of Applicants to the PUC on April 18, 2017.

³⁷ Joint Application at pgs. 8-9; Presentation of Applicants to the PUC on April 18, 2017(Chief Operating Officer Andrew M Gayle Jr. indicated that the SEA-US submarine cable would benefit the people of Guam by providing more bandwidth).

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.³⁸

- d. 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.³⁹
- e. The sale will facilitate GTA's ability to provide telecommunications services and products to the people of Guam.
- f. It is also in the interest of consumers of telecommunications services on Guam that the expansion of facilities and technology continue. Forager and its parent companies are committed to investing in Guam to offer state of the art service to all customer segments.

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 April 25, 2017, is hereby adopted and approved. The PUC concurs with the findings and recommendations therein.

³⁸ Joint Application at pgs. 6-12.

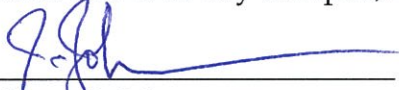
³⁹ 12 GCA §12101(a)(2).

3. Applicants TeleGuam Holdings, LLC, ["GTA"], Forager Holdings Corp. ["Forager"], B88 Financial Group LLC ["B88"], and Mariana Holdings LLC, are authorized to proceed with, and complete, a transaction whereby Purchaser Forager Holdings Corp. 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 Forager Holdings Corp. is not contrary to the public interest.
8. The sale and/or transfer of control of TeleGuam Holdings, LLC from the AP Funds to Forager 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 (Joint Domestic and International Application filed by TeleGuam Holdings and Forager with the FCC on February 10, 2017); (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, including Huntsman Family Investments LLC, must comply with their representations, made of record at the

public hearing and in information submitted to the PUC, 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.

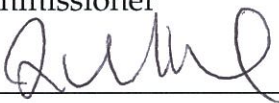
Dated this 27th day of April, 2017.



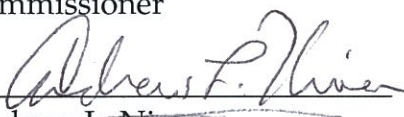
Jeffrey C. Johnson
Chairman




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 GUAM PUBLIC UTILITIES COMMISSION

IN RE: REQUEST BY THE GUAM) GWA DOCKET 17-05
WATERWORKS AUTHORITY) ORDER
FOR APPROVAL OF ITS)
CONTRACT FOR INSURANCE)
WITH AM INSURANCE)

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the March 31, 2017 Petition to Approve the new Policies Contract to Insure the Guam Waterworks Authority (hereinafter referred to as the “Petition”), filed by the Guam Waterworks Authority (“GWA”). GWA seeks PUC approval of a proposed contract for property insurance.

On April 25, 2017, the Administrative Law Judge of the PUC Joepheth R. Alcantara (the “ALJ”) filed a report regarding the instant Petition, which included his findings and recommendations based on the administrative record before the PUC. The ALJ found the following.

DETERMINATIONS

On December 12, 2016, GWA petitioned the PUC for approval of GWA’s invitation for bid for property insurance, as well as other types of insurance indicated in its petition. On December 29, 2016, the PUC authorized GWA to issue a bid for insurance. On February 14, 2017, GWA issued Bid No. GWA 2017-12 (the “IFB”), which sought

sealed bids for property insurance, general liability insurance, directors and officers liability insurance, automobile insurance, crime insurance, and cyber insurance.¹

On March 7, 2017, GWA opened the bids.² While seven (7) firms registered for the IFB, only one firm actually submitted a bid, namely AM Insurance (“AM”).³ According to GWA, AM submitted a responsive, responsible, and acceptable bid.⁴ On March 21, 2017, the Consolidated Commission on Utilities (the “CCU”) issued Resolution No. 23-FY2017, which approved GWA’s award to AM.

1. GWA’s Petition and Insurance Coverage

In its Petition, GWA requested that the PUC approve GWA’s purchase of property insurance, as well as other types of insurance, itemized in the Petition on the basis that such insurance is required under its revenue bond indentures.⁵ In particular, GWA sought approval to contract with AM for the following insurance coverage: Property Insurance, General Liability Insurance, Directors and Officer Liability Insurance, Crime Insurance, Cyber Insurance, and Automobile Insurance.⁶ The Petition is supported by the CCU Resolution, which authorizes GWA to award the contract for insurance coverage to AM.

¹ Petition, p. 1 (Mar. 31, 2017).

² Petition, Exhibit A, p. 1.

³ Petition, Exhibit A, p. 1.

⁴ Petition, Exhibit A, p. 1; Petition, Exhibit B, p. 2 (CCU Resolution No. 23-FY2017, Mar. 21, 2017).

⁵ Petition, p. 1.

⁶ Petition, pp. 1-2.

2. Proposed Insurance Premiums

In the Petition, GWA sought approval of the following *annual premiums* for a term of *five (5) years*: (1) Property Insurance (\$30 million limit) at a premium of \$701,530.00; (2) General Liability Insurance at a premium of \$115,000.00; (3) Directors and Officer Liability Insurance at a premium of \$15,609.00; (4) Crime Insurance at a premium of \$5,245.00; and, (5) Cyber Insurance at a premium of \$28,000.00; and, (6) Automobile Insurance at a premium of \$39,701.92. The total cost of coverage for the five-year term offered by AM is \$4,528,804.00.⁷

3. GWA's Contract Review Protocol

Pursuant to 12 G.C.A. §12105,⁸ 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 current Contract Review Protocol, "[a]ll professional service procurements in excess of \$1,000,000" and "[a]ny contract or obligation not specifically referenced above which exceeds \$1,000,000" "shall require prior PUC approval under 12 G.C.A. Section 12004."⁹ With regard to multi-year contracts, "the test to determine whether a procurement exceeds the \$1,000,000.00 threshold for PUC review and approval is the total estimated cost of the procurement, including cost incurred in any renewal options."¹⁰

⁷ Petition, p. 2, which amount includes certain assessment fees..

⁸ Formerly 12 G.C.A. § 12004.

⁹ Contract Review Protocol, GWA Docket 00-04, p. 1 (Oct. 27, 2005).

¹⁰ Contract Review Protocol, GWA Docket 00-04, p. 2 (Oct. 27, 2005).

4. Sections 6.05 and 6.06 of GWA's Revenue Bond Indentures

This Commission has previously found that, as indicated under Section [6.06] of GWA's 2005 Series Bond Indenture, GWA must maintain insurance on its system "in such amounts and against such risks (including accident to or destruction of the System) as are usually maintained by prudent operators of systems similar and similarly situated to the System and which it shall deem advisable or necessary to protect its interests and the interests of the Bondowners."¹¹ Accordingly, this Commission has already concluded that GWA's 2005 Series Bond Indenture, along with its supplemental indentures, require GWA to maintain insurance on the system in amounts and against risks normally maintained by other water and wastewater authorities.

In addition, this Commission has continually highlighted the importance of maintaining property insurance, having previously found that "[t]he need for GWA to procure property insurance is clear: property insurance is required by GWA's 2005 Bond Series Indenture" and that "the availability of property insurance will potentially benefit rate payers with regard to the protection of system assets" since "[i]nsurance proceeds can assist recovery efforts after natural disasters such as typhoons or earthquakes."¹²

5. CCU Approval

The Resolution issued by the CCU approved GWA's recommendation to award the contract for insurance coverage to AM. The CCU found that AM, "a local insurance brokerage firm, and the sole bidder, submitted a firm and fixed bid"; and that

¹¹ Order, GWA Docket 12-02, pp. 2-3 (Mar. 26, 2012).

¹² Order, GWA Docket 10-02, p. 2 (Oct. 11, 2010).

“GWA’s Risk Consultant, GWA’s Chief Financial Officer and GWA’s Procurement Administrator have reviewed the bid and determined that the bid presented by AM Insurance was responsive and responsible”¹³ The CCU further found that “the terms of the bid submitted by AM Insurance is prudent, fair and reasonable under the circumstances” and, therefore, authorized GWA to issue a Notice to Proceed.¹⁴ Additionally, the CCU authorized GWA to petition the PUC for approval of the contract, as well as to execute all documents and to undertake all action necessary to secure the insurance policies.¹⁵

The PUC has previously found that GWA is required to maintain “insurance on the System with responsible insurers in such amounts and against such risks (including accident to or destruction of the System) as are usually maintained by prudent operators of systems similar and similarly situated to the System and which it shall deem advisable or necessary to protect its interests and the interests of the Bondowners” pursuant to provisions of its bond indentures.¹⁶

Further, GWA’s Petition is supported by the findings of the CCU, such that “the bid presented by AM Insurance was responsive and responsible”; and that “the terms of the bid submitted by AM Insurance is prudent, fair and reasonable under the circumstances.”¹⁷

¹³ Petition, Exhibit B, p. 2.

¹⁴ Petition, Exhibit B, p. 2.

¹⁵ Petition, Exhibit B, p. 2.

¹⁶ Order, GWA Docket 12-02, pp. 2-3 (Mar. 26, 2012).

¹⁷ Petition, Exhibit B, p. 2.

As noted previously, “[t]he need for GWA to procure property insurance is clear: property insurance is required by GWA’s 2005 Bond Series Indenture” and that “the availability of property insurance will potentially benefit rate payers with regard to the protection of system assets” since “[i]nsurance proceeds can assist recovery efforts after natural disasters such as typhoons or earthquakes.”¹⁸

The ALJ recommended that the PUC approve *annual premiums* for a term of *five (5) years* for the following: (1) Property Insurance Property Insurance (\$30 million limit) at a premium of \$701,530.00; (2) General Liability Insurance at a premium of \$115,000.00; (3) Directors and Officer Liability Insurance at a premium of \$15,609.00; (4) Crime Insurance at a premium of \$5,245.00; (5) Cyber Insurance at a premium of \$28,000.00; and, (6) Automobile Insurance at a premium of \$39,701.92. The total cost for coverage for the five-year term offered by AM is \$4,528,804.00.¹⁹

Moreover, according to GWA, the amounts indicated reflect a savings of \$818,696.00 as compared to GWA’s current five-year policies, which do not include Cyber Insurance.²⁰ The total cost approved by the Commission for GWA’s insurance back in 2012 was \$6,008,980.00.²¹

Based on the record established in this docket and for the reasons set forth therein, the ALJ recommended that the PUC approve GWA’s contract for insurance with AM for coverage indicated in the Petition, and for the total cost of \$4,528,804.00.

¹⁸ Order, GWA Docket 10-02, p. 2 (Oct. 11, 2010).

¹⁹ Petition, p. 2, again, which amount includes certain assessment fees.

²⁰ Petition, p. 2.

²¹ Order, GWA Docket 12-02, pp. 3-4 (Mar. 26, 2012).

The Commission hereby adopts the findings made in the April 25, 2017 ALJ Report and, therefore, issues the following:

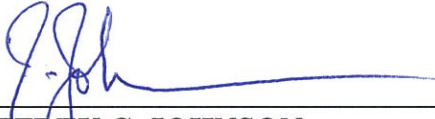
ORDERING PROVISIONS

Upon careful consideration of the record herein, the April 25, 2017 ALJ Report, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS the following:

1. The PUC hereby approves GWA's contract with AM Insurance for a term of 5 years, and for a total cost of \$4,528,804.00.
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 the instant contract review process. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the PUC.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

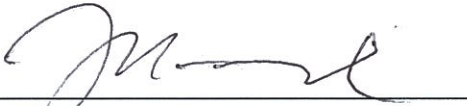
SO ORDERED this 27th day of April, 2017.



JEFFREY C. JOHNSON
Chairman



ROWENA E. PEREZ
Commissioner



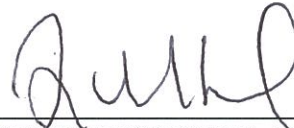
JOSEPH M. MCDONALD
Commissioner



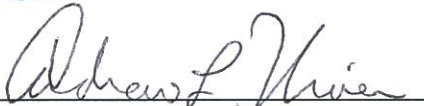
FILOMENA M. CANTORIA
Commissioner



MICHAEL A. PANGELINAN
Commissioner



PETER MONTINOLA
Commissioner



ANDREW L. NIVEN
Commissioner

P173008.JRA

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 15-05
)
The Petition of the Guam Power Authority)
for Approval of Procurement of New) **SUPPLEMENTAL ORDER**
Generation Combined Cycle Units and to)
Proceed with Implementation of the)
Integrated Resource Plan (IRP).)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the request of the Chairman. As indicated in the PUC Counsel Report dated April 18, 2017, which is adopted and incorporated herein by reference, GPA has indicated to potential bidders with regard to the new generation that only combined cycle unit generation may be considered due to the wording of the PUC Order dated October 27, 2016. Potential bidders have also been advised by GPA that it may not consider any proposal involving LNG because of the PUC Order.

DETERMINATIONS

2. The purpose of this Supplemental Order is to clarify two aspects of the Order dated October 27, 2016. Notwithstanding any language to the contrary in the October 27, 2016, Order: (1) In its procurement for new generation, GPA should be able to consider any technology (not only combined cycle units) which provides efficient, reliable and least cost baseload generation. (2) LNG proposals may be considered to the extent that they comply with the criteria outlined in (1) above.
3. The PUC adopts the analysis in the PUC Counsel Report as its Determinations. It is necessary for the PUC to clarify its October 27, 2016 Order by establishing that GPA may consider technologies other than combined cycle units in its new generation procurement, and may also consider proposals for LNG.

ORDERING PROVISIONS

1. Notwithstanding any language in the PUC Order dated October 27, 2016, that GPA shall consider technologies other than combined cycle units in the procurement for new generation which it subsequently intends to issue. In accordance with a market approach, bidders should be able to offer technology solutions other than combined cycle units, which may include LNG, LPG, or other possible solutions which meet the necessary criteria.

2. Notwithstanding any language in the October 27, 2016 Order, GPA shall entertain and consider LNG proposals that can provide efficient, reliable and least cost baseload capacity.
3. The Ordering Provisions of the October 27, 2016, Order are revised as follows:
 1. GPA is authorized to procure up to 180MW of generation capacity. Before such procurement is issued by GPA, it should be first reviewed and approved by the PUC.
 2. GPA's plan for up to 180MW of new generation capacity shall be based upon the Independent Power Producer (IPP) Model as a Build Operate Transfer (BOT), similar to MEC 8 & 9, rather than upon ownership by GPA.
 3. GPA is authorized to procure an Engineering Procurement and Construction Management contractor, and is authorized to expend \$750,000 for such engineering and consulting services, to be paid from the 2014 bond fund allocation for LNG Initial Startup.
 4. GPA plans for bond financing, restructuring, or financing/leasing for the IPP are disapproved at the present time.
 5. GPA's procurement authorization is conditioned upon the restrictions and limitations set forth in the DETERMINATIONS section of this Order.
 6. The PUC reserves the right to further consider the issue of whether 180MW should be the proposed capacity of the new plant, or whether a lesser capacity would suffice, upon GPA's submission of the procurement for approval. This issue may be further reviewed upon submission of the final proposed procurement award to the PUC.
 7. GPA shall retire Cabras 1 & 2 upon commission of the new generation.
 8. The PUC retains jurisdiction herein to make any further review of any and all aspects of the IRP.
 9. When GPA submits the new generation procurement to PUC for approval, it shall also provide a fully updated and comprehensive rate impact study.
 10. GPA is ordered to pay the Commission's regulatory fees and expenses,

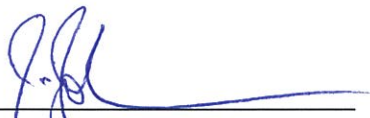
Supplemental Order
New Generation
Combined Cycle Units
GPA Docket 15-05
April 27, 2017

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.

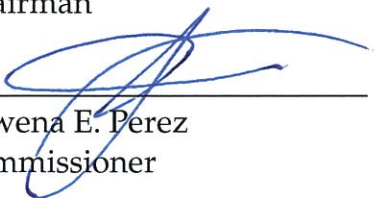
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Supplemental Order
New Generation
Combined Cycle Units
GPA Docket 15-05
April 27, 2017

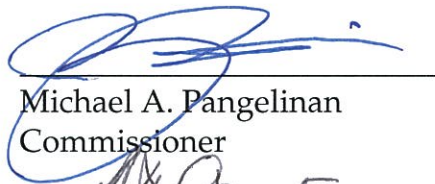
So Ordered this 27th day of April, 2017.




Jeffrey C. Johnson
Chairman



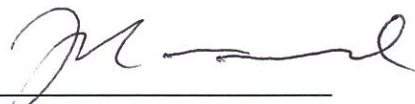
Rowena E. Perez
Commissioner



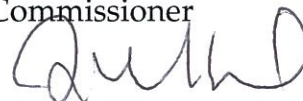
Michael A. Pangelinan
Commissioner



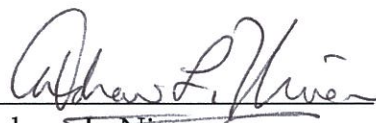
Filomena M. Cantoria
Commissioner



Joseph M. McDonald
Commissioner



Peter Montinola
Commissioner



Andrew L. Niven
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



PAG DOCKET 17-01

**PETITION OF
PORT AUTHORITY OF GUAM
FOR FIVE YEAR TARIFF INCREASE**

ORDER

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the “5 Year Tariff Petition” (hereinafter referred to as the “Rate Petition”), filed by the Jose D. Leon Guerrero Commercial Port (“PAG” or the “Port”) on November 16, 2016.

DETERMINATIONS

On September 12, 2016, PAG published its proposed rates reflecting increases to PAG’s Terminal Tariff.¹ On November 16, 2016, PAG filed its 2016 Rate Petition. Thereafter, the Administrative Law Judge of the PUC (the “ALJ”) transmitted a copy of the Rate Petition to the firm of Slater Nakamura, L.L.C. (“Slater Nakamura”), the PUC’s consultants for matters related to the port authority.

On March 7, 2017, Slater Nakamura provided the ALJ with its report on the rate investigation, which detailed its findings and recommendations. Pursuant to the Ratepayers’ Bill of Rights, duly-noticed public hearings were held in the villages of Hagåtña, Agat, and Dededo, on April 5, 6, and 7, 2017.

¹ Report of the Tariff Investigation for the Port Authority of Guam (“Slater Nakamura Report”), submitted by Slater Nakamura, L.L.C., p. 1 (Mar. 7, 2017).

On April 26, 2017, the ALJ filed an ALJ Report regarding the instant rate case, which included his findings and recommendations based on the administrative record before the PUC. The ALJ found the following.

A. PAG's Rate Petition

The Rate Petition is based on the testimony submitted by PAG General Manager Joanne M.S. Brown, Felix R. Pangelinan, Felixberto A. Duenas, and Simeon S. Delos Santos; and is further based on Resolution No. 2016-05, issued by PAG's Board of Directors. The Rate Petition proposes a 7% general increase on PAG's Terminal Tariff rates, excluding its Crane Surcharge, for years 1 and 2, and a 1% increase for years 3 through 5.² PAG submits that the rate increase proposed in the Rate Petition "is vital for the generation of sufficient revenues to cover operating costs of the Port Authority, debt services and capital programs for modernization and sustainability."³

Specifically, PAG maintains that "[t]he primary objective is to maintain an economically sustainable tariff that is equitable and reasonable for the port as well as its users, consistent with the quality and level of service provided by the port."⁴ The Rate Petition "is part of a long term plan that will allow the Port to keep pace with inflation and fund all necessary Port Modernization Program (PMP) investments, future crane replacements and all other sustainability investments needed to operate self-sufficiently as an efficient and solvent business through the 20-year planning horizon."⁵

² Rate Petition, p. 1.

³ Rate Petition, p. 1.

⁴ Rate Petition, p. 1.

⁵ Rate Petition, p. 1.

1. PAG's Written Testimony in Support of the Rate Petition

Joanne M.S. Brown, PAG's General Manager, testified that "[t]he goal of the tariff adjustment is to ensure that sufficient revenues are available to support the ongoing PMP investments (gantry cranes, yard equipment, TOS, GOS, SLE for wharfs)" as well as "[i]nstitute structured maintenance programs"; replace aging facilities; implement salary and wage increases; retain buying power; and address depreciation of existing assets.⁶ Ms. Brown further testified that the tariff adjustment will allow the Port to be "able to keep up with near-term modernization goals" as well as "begin the process of addressing additional infrastructure maintenance and improvements."⁷

Ms. Brown added that PAG was awarded a \$10 million grant from the U.S. Department of Transportation, which PAG intends to utilize as funding for rehabilitation of its Hotel Wharf.⁸ However, based on this testimony, PAG will need an additional \$10 million in funding, by way of bond issues, in order to fully fund such rehabilitation.⁹

Felix R. Pangelinan, PAG's Deputy General Manager of Operations, testified that "[t]here are critical facilities at the Port Authority that are in dire need of repair. The most immediate area of concern is H wharf [needing] to be upgraded to provide for operational efficiencies."¹⁰ Mr. Pangelinan added that "[t]he revenue generated from this 5 year tariff increase will help fund the port's priority projects . . . and our debt service to the port's current loans and future bond financing"¹¹

⁶ Petition, Tab 2 ("Direct Testimony of Joanne M.S. Brown"), p. 3 (Nov. 16, 2016).

⁷ Direct Testimony of Joanne M.S. Brown, p. 3.

⁸ Direct Testimony of Joanne M.S. Brown, p. 3.

⁹ Direct Testimony of Joanne M.S. Brown, p. 3.

¹⁰ Petition, Tab 3 ("Direct Testimony of Felix R. Pangelinan"), p. 3 (Nov. 16, 2016).

¹¹ Direct Testimony of Felix R. Pangelinan, p. 3.

Felixberto Alfred Duenas, PAG's Deputy General Manager of Administration and Finance, testified that another goal of the rate plan "is to ensure that sufficient revenues are available to support a Bond indenture to include cash reserve requirements and debt service[] to sustain capital improvement[] projects[s] and salary structure." ¹²

Simeon S. Delos Santos, PAG's Engineer Manager, testified that the "essential components" underlying the rate increases are the following: to finance the capital project outlined in PAG's 2013 Master Plan Update; to satisfy debt service requirements; and for the Port to be "financially self sufficient." ¹³

2. PAG's Board Resolution Approving Rate Petition

Resolution No. 2016-05, issued by PAG's Board of Directors, found that, based on a financial analysis conducted by PAG's Owner's Agent/Engineer, "there should now be annual adjustments in the Port's Terminal Tariff over the next five years in the amount of 7% for years 1 and 2, and a 1% increase for the years 3 through 5."¹⁴ The Board further authorized PAG to petition the PUC for approval of the multi-year rate plan, which is the subject of these proceedings.¹⁵

B. Rate Investigation by Slater Nakamura

1. Just and Reasonable

Based on its investigation, Slater Nakamura found that PAG's request is based on the need to "support operational costs, upgrade facilities and modernize its operating systems and

¹² Petition, Tab 3 ("Direct Testimony of Felixberto Alfred Duenas"), p. 3 (Nov. 16, 2016).

¹³ Petition, Tab 5 ("Direct Testimony of Simeon S. Delos Santos"), p. 2 (Nov. 16, 2016).

¹⁴ Resolution No. 2016-05, p. 1 (Sept. 7, 2016).

¹⁵ Resolution No. 2016-05, p. 1 (Sept. 7, 2016).

equipment in order to meet projected demand for cargo throughput.”¹⁶ Slater Nakamura noted that “[t]he approval of the Legislature of the 2007 Port Master Plan ratified a \$261 million capital development plan needed to properly modernize and expand existing facilities to meet both near-term and long-term cargo demands.”¹⁷

The rate plan will support PAG’s continued payment on debt service on existing loans of about \$2.2 million per year, which include acquisition of cargo handling equipment, wharf repairs, acquisition of the Port of Los Angeles cranes, and top lifters.¹⁸ From 2017 through 2021, PAG also plans to implement capital projects that total \$57.7 million, which include a gate operating system, replacement of PAG’s Administration Building, Hotel Wharf, and waterline.¹⁹ PAG further intends on replacing Crane 3.²⁰

For this investigation, Slater Nakamura examined the Rate Petition, PAG’s Master Plan Update 2013 Report, financial forecasts submitted by PAG, maintenance plans, along with other data.²¹ Based on its review, Slater Nakamura determined that PAG’s request is “just and reasonable.”²²

a. Consumer Price Index

Based on its analysis, Slater Nakamura determined that the proposed tariff increases were consistent with the Consumer Price Index, finding that the increases in the tariff

¹⁶ Slater Nakamura Report, p. 8.

¹⁷ Slater Nakamura Report, p. 8.

¹⁸ Slater Nakamura Report, p. 5.

¹⁹ Slater Nakamura Report, p. 5.

²⁰ Slater Nakamura Report, p. 5.

²¹ Slater Nakamura Report, p. 5.

²² Slater Nakamura Report, p. 2.

had a “marginal impact on consumer prices.”²³ In fact, based on PAG’s data, the rate increase would result in the following for the first year.

Figure 2: 2015 PAG Analysis of Proposed Tariff Impact on Consumer Prices³

Item	Canned beverage	Canned Spam	Lettuce head	Rice – 20 lbs. bag	Lumber (2 x 4x 8)
Increase in Cost of Container	\$29.19	\$29.19	\$37.69	\$29.19	\$29.19
Increase in unit cost	\$0.0006	\$0.0006	\$0.0016	\$0.0128	\$0.0082

b. Comparable Port

Slater Nakamura’s analysis also included a comparison of Hawaii’s rate increases against the Port’s increases. Slater Nakamura indicated that Hawaii has increased its rates by over 80% within 2010 and 2016, and will continue to increase its rates yearly by 3%. Slater Nakamura found that given the adjustments implemented by Hawaii “are significantly higher than those proposed by PAG,” they conclude that the proposed multi-year rate plan is “just and reasonable.”²⁴

c. Financial Need

Slater Nakamura further examined whether the multi-year rate plan will be sufficient to cover PAG’s operating costs, capital investments, and debt service. Looking at revenue from cargo, Slater Nakamura determined that “[t]he projected growth rates and baseline

²³ Slater Nakamura Report, p. 11.

²⁴ Slater Nakamura Report, p. 13.

volumes for cargo throughput are extremely conservative and therefore the revenue projections developed from those projections are also conservative and achievable.”²⁵

Slater Nakamura’s analysis additionally examined whether the projected cash flow will be sufficient to support operating costs plus \$47 million in new bonded debt. Based on its examination, Slater Nakamura found that “there would be sufficient cash flow to support operating and non-operating (includes debt service on existing and new debt) expenses, and funding of the CIP.”²⁶ Slater Nakamura also found that PAG would have sufficient cash flow to replace Crane 3 in 2018, which replacement would be funded by the sinking fund, as well as revenues and proceeds from bonded debt.²⁷ The consultants, however, note that PAG should provide the PUC with a detailed timeline for any debt issuance, as well as provide the PUC with progress reports regarding the status and efforts for such issuance.²⁸

2. Findings

Based on its investigation, Slater Nakamura made the following findings: that the requested tariff increases are “just and reasonable” inasmuch as they “have minimal impact on the market basket of the average Guam consumer”; and that the increases are significantly less than the increases approved for the benchmark port, namely Hawaii.²⁹ In addition, Slater Nakamura further found that the tariff increases will allow PAG “to operate in a manner where its current and future obligations can be met.”³⁰

²⁵ Slater Nakamura Report, p. 17.

²⁶ Slater Nakamura Report, p. 18.

²⁷ Slater Nakamura Report, p. 18.

²⁸ Slater Nakamura Report, p. 19.

²⁹ Slater Nakamura Report, p. 23.

³⁰ Slater Nakamura Report, p. 23.

The consultants also found that PAG continues to defer maintenance on critical equipment and infrastructure; and that Crane 3 must be replaced earlier than anticipated due to such deferred maintenance.³¹ Lastly, while Slater Nakamura found that PAG will be able to sustain operations and service existing and planned debt, the following would impact cash flow: (1) the Guam CPI exceeds 4% per annum; (2) cargo throughput exceeds or falls short of the current projected growth rate with more than a 5% variance; (3) PAG loses its appeal of an arbitration \$15 million award; and (4) the cranes require replacement 2 or more years sooner than currently planned.³²

3. Recommendations

Based on its investigation, Slater Nakamura made the following recommendations: that the PUC approve the rate plan as petitioned by PAG; and that PAG provide the PUC with a detailed timeline for debt issuance, as well as provide the PUC with semi-annual reports to the Commission.³³ In addition, Slater Nakamura further recommended that the PUC reserve the right to request that PAG return to the Commission for possible revisions to the rate increases in the event of the following: Guam's CPI exceeds 4% per annum; the cargo throughput either exceeds or falls short of the projected growth rate by 5%; PAG loses an appeal against Guam YTK Corporation and is required to pay a \$15 million arbitration award; and any time the physical condition of PAG's cranes require replacement two (2) years sooner than presently planned.³⁴

³¹ Slater Nakamura Report, p. 23.

³² Slater Nakamura Report, p. 23.

³³ Slater Nakamura Report, p. 25.

³⁴ Slater Nakamura Report, p. 25.

C. Public Testimony

At the public hearing held in Hagåtña on April 5, 2017, several members of PAG management testified in support of the multi-year rate plan. In addition, Catherine Castro, President of the Guam Chamber of Commerce, testified in opposition to the tariff increases, stating that “the best way for our government to expand revenues is to live within its means and increase our tax base (grow our economy).” Ms. Castro testified that the private sector is faced with an increase in the minimum wage, increased fees due to the TESS law and utility costs, as well as the H2-B crisis that has impacted the cost of construction.

Ms. Castro further testified that for families “living from paycheck to paycheck, a \$400 monthly grocery budget could be impacted by \$28, which essentially could result in whether or not a family can afford to purchase baby formula or some other necessity.”

At the public hearing held in the village of Agat on April 6, 2017, Mr. Frank Lujan questioned what the rate increases would fund. Again, PAG management testified in support of the multi-year rate plan, as well as offered testimony indicating how the rate increases would be utilized.

At the public hearing held in the village of Dededo on April 7, 2017, again, PAG management testified in support of the multi-year rate plan, as well as offered testimony indicating how the rate increases would be utilized. Mr. Thomas Hertslet, Mr. Hermie Queja from Micronesian Brokers, and Mr. Noli Cadag from J&G, were present at the hearing and also offered testimony.

Mr. Queja stated that he strongly opposed the rate increases, and that he concurs with the testimony submitted by the Guam Chamber of Commerce. He indicated that PAG should reconsider its five year rate plan, consider looking at ways to reduce its expenses, and

“live within its means.” Mr. Cadag testified stated that “all these increases will drive prices up” and it will be the public who will have to bear these added costs. Mr. Hertslet testified that PAG could lease more of its property, that PAG should streamline its disposal methods, as land that can be used for other purposes are being used to house “rotting” equipment.

On April 19, 2017, Dan Del Priore, from GFT, submitted a letter inquiring as to the ownership, or future ownership of Hotel Wharf.

D. ALJ’s Findings Regarding Operating Costs, Capital Investments, and Debt Service

Based on the following record: the Rate Petition and supporting documents; Resolution No. 2016-05 issued by PAG’s Board of Directors approving the proposed terminal tariff rate increases; the written testimony from PAG management; the April 5, 2017, April 6, 2017, and April 7, 2017 public hearings; and the March 7, 2017 Report submitted by Slater Nakamura related to the instant rate investigation; the ALJ found that PAG’s request of a 7% general increase on PAG’s Terminal Tariff rates, excluding its Crane Surcharge, for years 1 and 2, and a 1% increase for years 3 through 5, was reasonable, prudent, and necessary in order to generate “sufficient revenues to cover operating costs of the Port Authority, debt services and capital programs for modernization and sustainability.”³⁵

The ALJ additionally found that the rate plan will support PAG’s continued payment on debt service on existing loans of about \$2.2 million per year, which include acquisition of cargo handling equipment, wharf repairs, acquisition of the Port of Los Angeles cranes, and top lifters;³⁶ as well as allow PAG to implement capital projects that total \$57.7 million, which include a gate operating system, replacement of PAG’s Administration Building,

³⁵ Rate Petition, p. 1.

³⁶ Slater Nakamura Report, p. 5.

Hotel Wharf, and waterline.³⁷ PAG further intends on replacing Crane 3.³⁸ The ALJ, therefore, found that the tariff increases will help PAG “move forward and focus on facility improvement and long term sustainability.”³⁹ The ALJ further adopted the findings contained in the March 7, 2017 Report submitted by Slater Nakamura.

E. ALJ’s Determination of Just and Reasonable Rates

Section 12116 of Title 12 of the Guam Code Annotated provides that: “[a]ll rates, charges, assessments, and costs made or charged by any public utility shall be just and reasonable and in conformance with public law, and shall be filed with the Commission; and no rate, charge or assessment cost shall be established, abandoned, modified, departed from or changed without a public hearing and the prior approval of the Commission.”⁴⁰ Additionally, Section 12118 of the same Title provides that: “[t]he term just and reasonable as used in this Article is defined as that rate, charge or assessment cost which enables the public utility to repay its debts, finance its obligations, finance its capital improvement needs and cover all its operating expenses.”⁴¹

Based on the standard articulated above, the ALJ found that PAG’s tariff rate increases are “just” and “reasonable” because such adjustments are necessary in order to enable PAG to “repay its debts, finance its obligations, finance its capital improvement needs and cover all its operating expenses,”⁴² as well as for all the reasons stated in the Slater Nakamura Report.

³⁷ Slater Nakamura Report, p. 5.

³⁸ Slater Nakamura Report, p. 5.

³⁹ Direct Testimony of Simeon S. Delos Santos, p. 2.

⁴⁰ 12 G.C.A. §12116(a).

⁴¹ 12 G.C.A. §12118.

⁴² 12 G.C.A. §12118.

Accordingly, based on this record, the ALJ recommended that the PUC approve the proposed increases to PAG's Terminal Tariff rates, as petitioned by PAG, and which are indicated in "Appendix B" of the Slater Nakamura Report, titled "Recommended PAG Tariff Rate Table." The Commission hereby adopts the findings made in the April 26, 2017 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. PAG is authorized to implement the rate increases to its Terminal Tariff, excluding the crane surcharge, which are indicated in "Appendix B" of the Slater Nakamura Report, titled "Recommended PAG Tariff Rate Table."

2. Accordingly, PAG is authorized to implement a 7% general increase effective June 1, 2017, and shall implement a subsequent 7% increase on January 1, 2018; PAG is further authorized to implement the remaining proposed 1% increases effective each October 1st for Fiscal Years 2019, 2020, and 2021.

3. PAG is ordered to file with the Commission, by October 31, 2017, actual data for Fiscal Year 2017 concerning the following: (a) revenue and net income; (b) operating expenses; (c) debt service and capital costs; (d) any operating reserves; and (e) throughput cargo.

4. PAG is further ordered to file with the Commission, by August 1st prior to the start of Fiscal Years 2019, 2020, 2021, actual data concerning all the sub-items listed in Ordering Provision No. 3 above, these reports shall capture data since the most recent filing.

5. PAG is further ordered to return to the Commission for a rate investigation in the event of the following: (a) the Guam CPI exceeds 4% per annum; (b) cargo throughput exceeds or falls short of the current projected growth rate with more than a 5% variance; (c) PAG loses its appeal of a \$15 million arbitration award; and (d) the cranes require replacement 2 or more years sooner than currently planned.

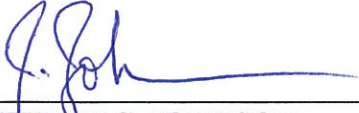
6. PAG is further ordered to file with the PUC a detailed timeline related to its plans for debt issuance by July 1, 2017; PAG shall also provide the PUC with semi-annual reports to the Commission detailing the status of PAG's efforts to secure such bonds, the first of which shall be filed on December 1, 2017, and the second of which shall be filed on June 1, 2018.

7. PAG shall seek PUC approval prior to any annual increases to its Direct Labor Charges.

8. 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 rate investigation. 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 PUC.

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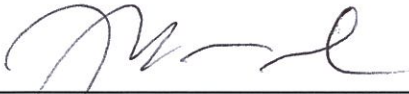
SO ORDERED this 27th day of April, 2017.




JEFFREY C. JOHNSON
Chairman



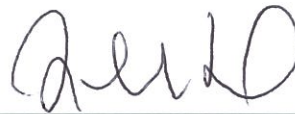
ROWENA E. PEREZ
Commissioner



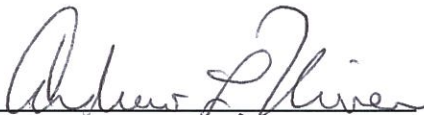
JOSEPH M. MCDONALD
Commissioner



FILOMENA M. CANTORIA
Commissioner



PETER MONTINOLA
Commissioner



ANDREW L. NIVEN
Commissioner

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