

GUAM PUBLIC UTILITIES COMMISSION  
REGULAR MEETING  
September 29, 2016  
SUITE 202, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:45 p.m. on September 29, 2016, pursuant to due and lawful notice. Commissioners Johnson, 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 August 25, 2016. Upon motion duly made, seconded and unanimously carried, the Commission approved the minutes subject to correction.

**2. PTI Pacifica Inc.**

The Chairman announced that the next item of business on the agenda was PTI Docket 16-01, Petition for Annual USAC Certification, PUC Counsel Report and Proposed Certification. Counsel indicated that the Commissioners were very familiar with USAC proceedings. Universal support funds are given to telecom companies on Guam by the FCC and the USAC Company. To receive such support, the telecom companies have to comply with certain standards. On an annual basis, the PUC is required to monitor and review the compliance of the companies and whether the universal support funds been used for the intended purposes.

PTI is seeking certification that, over the last year, it has used universal support funds for the purposes designated in the Federal Act. PTI has submitted a certification by its legal counsel Mr. Carrera that it has used and will use the universal support funds for the purposes intended under federal law. These funds are used to upgrade the local communication system on Guam so that it can function efficiently. In accordance with requirements, PTI submitted its 5-year quality service improvement plan.

In 2015, PTI implemented software upgrades, expanded its system, undertook optimization efforts at numerous cell sites, and made enhancements to the billing system. In 2016 and 2017, PTI plans to remove some of the existing GSM and CDMA equipment. PTI has certified that it provides the nine services required by the FCC. Counsel finds that PTI's documentation is sufficient to comply with the federal USAC requirements.

There's no evidence that any of the funds were used for an improper purpose. The funds were used to improve the service quality of PTI's network in Guam. Counsel recommends that the Commission approve the USAC Certification for PTI.

Upon motion duly made, seconded and unanimously carried, the Commissioners approved the USAC Certification for PTI Pacific Inc. made *Attachment "B"* hereto.

### **3. Guam Telecom LLC**

The Chairman announced that the next item of business was GT Docket 16-01, Petition for Annual USAC Certification, PUC Counsel Report, and Proposed USAC Certification. Commissioner Pangelinan recused himself from the matter, as it involves a client of his law firm. Counsel indicated that the attorney of Guam Telecom LLC, James Hoffman, has certified that the universal support funds have been used, and will only be used, for the purposes permitted under federal law. Guam Telecom also filed its detailed billed out plan satisfying the FCC's requirements.

This is the last year that Guam Telecom will file such a certification. It was purchased by Docomo. Next year, the request for certification will be filed under Docomo Pacific Inc. The 5-year plan details various improvements that GT made over the last five years, many of which are continuing into the future. GT's network has been expanded through the placement of more fiber-optic lines and fiber-optic equipment in neighborhoods in Guam. This is designed to support the nine core services required for USF support. GT has deployed over 150 wifi access points around the island to expand wireless connection.

GT has improved its wire centers through hardware and software upgrades. GT has complied with the reporting requirements, such as those involving number of outages in the last year, unfulfilled request for service, complaints received and whether the company can function in emergency situations. All required certifications were filed. GT has demonstrated that the federal universal support funds have only been used for the intended purposes. Counsel recommends that the PUC approve the USAC Certification for Guam Telecom. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the USAC Certification for Guam Telecom made *Attachment "C"* hereto.

### **4. Teleguam Holdings LLC**

The Chairman announced that the next item of business on the agenda was GTA Docket 16-04, Petition of GTA for Annual USAC Certification, PUC Counsel Report, and USAC Certification. Counsel stated that the Vice President Legal and Regulatory, Mr. Dan Tydingco, certified that all federal high cost support received by Teleguam Holdings will only be used for the provision, maintenance and upgrading of facilities and services for which the support is intended. Teleguam Holdings submitted its 5-year

plan. The plan describes a number of improvements made and that will be made, between 2015 and 2020.

GTA will enhance its network and invest in technology such as additional DSLAM construction and installation, VDSL upgrade of the fiber core network, fiber remediation and capacity upgrade, wire line integration, capacity enhancement, and ongoing cable maintenance and upgrades. Teleguam Holdings provides the designated services required for federal support and filed all required certifications.

Counsel recommends that, based upon the submissions, which include updated financial data, that there is a basis for finding that the universal support received by Teleguam Holdings in calendar year 2015 was used for the intended purposes. Counsel recommends that the Commission approve the USAC Certification. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the USAC Certification for Teleguam Holdings LLC, made *Attachment "D"* hereto.

The Chairman announced that the next matter before the Commissioners was GTA Docket 16-05, Petition of GTA Pulse Mobile for Annual USAC Certification, PUC Counsel Report, and USAC Certification. Counsel indicated that Pulse Mobile is the wireless entity of Teleguam Holdings. It used to be a separate company but now is a division within GTA. This filing covers the wireless aspect of GTA.

GTA has filed the proper certifications and also filed a 5-year plan indicating that it intends to continue improvements to its wireless networks, including GSM 3G and long-term evolution. In 2016, Pulse continued its LTE site coverage expansion and 3G network core upgrade for better coverage. It upgraded its 3G switch. In 2017, Pulse intends to undertake IP Core upgrade, IMS core implementation, voice over Wi-Fi, wireless phone upgrades and continued 3G and LTE coverage expansion. All required certifications have been filed with the application.

Counsel believes that Pulse has satisfied all the criteria in its ETC Designation Order and the FCC requirements. There is a factual basis upon which the Commission can reasonably certify that the universal support funds distributed to Pulse in calendar year 2017 will be used in accordance with the purposes and requirements designated in federal law. Counsel recommends approval. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the USAC Certification for Teleguam Holdings LLC f/k/a Pulse Mobile made in *Attachment "E"* hereto.

Counsel indicated that GTA Docket 16-03, GTA Tariff Transmittal No. 26, is not ready for presentation this evening. It will be before the Commission next month. GTA filed a formal request not to proceed ahead tonight, which the ALJ granted.

## **5. Guam Power Authority**

The Chairman indicated that the next item on the agenda was GPA Docket 16-13, GPA Petition to Approve the FY2017 CIP Ceiling Cap, PUC Counsel Report, and Proposed

Order. Counsel indicated that the GPA Capital Improvement Project Ceiling Cap comes before the Commissioners every year. Under the Contract Review Protocol, GPA is required to file its internally funded, revenue funded, capital improvement project cap with the PUC by November 15 of each fiscal year. This filing provides information as to what funds GPA intends to spend for its capital improvement projects.

GPA has provided written justifications for the projects. This year the proposed cap is general plant funds in the amount of \$18,798,120.00. For this year, the proposed CIP Cap is actually higher than the previous few years. The Cap has generally varied from \$5M up to \$16 plus million since 2010. The Cap this year is a few million dollars higher. The explanation is that there are a few items in this year's Cap that are not ordinarily there. The first is the Cabras 1 & 2 overhauls. The cost is \$5,190,000 by itself. Previously, these overhauls were funded by bond funds. There are no bond funds to apply this year, so GPA placed the Cabras overhauls in the general plant budget.

The two other major items are 10 diesel plant unit overhauls costing \$2.5M, and the Dededo combustion turbine repairs at \$3M. Thus, there is close to \$10M for extra-ordinary generator repairs. Without the extra-ordinary repairs, the cap would be about \$8M. Counsel concludes there is not a problem with the amount that GPA is requesting for this fiscal year. GPA has provided justifications for every expenditure over \$100,000; many expenses are for computer and software, and also plant upgrades. Projects listed should be funded through the CIP.

Counsel recommends that the FY2017 General Plant Budget is consistent with the prior year CIP budgets; it is in the interest of ratepayers and should be approved. For those projects that exceed \$1.5M, GPA will be required to come back to the Commission for approval. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the CIP Ceiling Cap for FY2017 and the expenditures made under "general plant", and approved the Order made *Attachment "F"* hereto.

The Chairman announced that the next item on the agenda was GPA Docket 16-14, GPA Petition for Approval of Insurance Invitation for Bids, PUC Counsel Report, and Proposed Order. Counsel indicated that this Docket involves the property insurance that GPA generally purchases for property and machinery, earthquake, flood, typhoon, tsunami, terrorism, all risk, business income and extra expense. Generally, every three years, GPA has come to the PUC to issue procurements for its property insurance. Such insurance has cost in the range of \$5.4M per year.

The 3-year policy approved by the PUC in 2013 expires on November 1, 2016. That contract allowed for two 1-year extensions. Here, instead of extending the contract, the CCU approved going out for a bid for the property insurance on May 24<sup>th</sup> of this year. The PUC did not receive GPA's petition for procurement until September 8, 2016. It has not been explained why it took so long for GPA to transmit the Petition to the PUC. The Petition included a letter from GPA Acting General Manager asked permission for GPA to go out for the procurement before the PUC approves it. The PUC did not

respond to such request and neither the PUC nor the ALJ authorized GPA to issue the invitation for bid prior to approval by the PUC. The Contract Review Protocol requires that all procurements be approved before the procurement process is begun.

However, on the same day that the Petition was filed, along with the request to allow a procurement GPA announced the bid. The insurance brokerage bid went out on September 8<sup>th</sup>, the same day the request for approval was received by the PUC. Counsel sent a letter to GPA on September 16<sup>th</sup> asking for an explanation. There was never a response from GPA. GPA's letter also requested that the PUC not review the final procurement at all due to the deadlines. Counsel indicated that he was not aware of any provision in the contract review protocol or otherwise which authorizes PUC to waive the review of the final award of a procurement. There is no basis for waiving PUC review.

A letter was also filed with the PUC by GPA's Risk Management Consultant Mark Grennan. Mr. Grennan questioned why the bid only required bidding insurers or brokers to be able to supply up to 20% of the total insurance coverage, which is roughly \$300M. Ordinarily GPA requires that the insurers be able to supply up to 80% of the total insurance coverage. Based upon the letter of the Risk Management Consultant, PUC Counsel felt that he was unable to recommend to the Commissioners that the procurement was prudent. Counsel recommends that the Commissioners disapprove GPA's request to issue the invitation for bids.

Counsel agreed that GPA must have insurance under its bond covenants. It has another option here. The contract provides for two 1-year renewals. There may already have been discussion about renewal and even a price offered. That is the approach that GPA can still take here. If procurement is done properly at some point, generally the Commission will look upon a request for procurement favorably. The Order prepared by Counsel would deny the request to issue the procurement as it violates the Contract Review Protocol.

Commissioner Niven asked whether if the proposed order were adopted, there wouldn't be any interruption in the coverage and that the renewal will take place by November 1. Counsel indicated he had not heard anything from GPA about this. GPA Counsel Mr. Botha indicated that a renewal period was discussed before at a higher premium. With a renewal GPA would have insurance. Commissioner Montinola indicated that he agreed with the ALJ. Upon motion duly made, seconded and unanimously carried, the Commissioners denied GPA's Petition to issue a procurement for property insurance; the Order made *Attachment "G"* hereto was approved.

## **6. Guam Waterworks Authority**

The Chairman indicated that the next matter for consideration was GWA Docket 16-06, GWA Petition for Approval of Amendment 6 to the PMO with Brown & Caldwell, ALJ Report, and Proposed Order. ALJ Alcantara indicated that this matter concerned

GWA's request to increase its PMO contract with Brown & Caldwell by \$4,059,877.00. The Petition indicates that GWA continues to need significant assistance relative to compliance with the federal court order and matters contained in the stipulation attached to the PUC's 5-year rate plan: SRF project management, project management services for the Umatac/Merizo wastewater treatment plant upgrade, to improve groundwater production, well meter replacement, and other listed projects. GWA submits that the cost for the PMO contract will be funded by 2010, 2013, and 2016 bond proceeds, as well as state revolving funds.

GWA asserts that the cost associated with the PMO is the average payable cost in the industry. The PMO assisted with negotiating engineering fees that resulted in a \$7M savings over the life of the PMO contract itself. The GM and its Chief Engineer are working on a transition plan to wean GWA off the Brown & Caldwell services.

Brown & Caldwell will be providing program management support including deliverables, production schedules, budgets, scopes of work, work authorizations, and staffing plans for capital improvement projects. B & C will work with GWA in promoting knowledge transfer between the PMO and GWA staff through mentoring and training. This work will end at the end of 2017 fiscal year. Another PMO project will be the Umatac/Merizo wastewater treatment upgrade. The PMO will assist GWA with analyzing up to five alternatives for a potable waterline from Agat to Umatac.

The PMO will also engage in a wastewater investigation analysis in Tumon Basin Phase I. There will be a in depth analysis of the existing sewer shed information. There are also engineering projects for ground water well production meters. This project will verify meter performance as long as develop plans and specifications to replace underperforming old meters at the groundwater well sites (B&C will visit GWA's 120 well sites to develop site-specific meter replacement strategies).

The PMO will also assist GWA with a backflow prevention study. The PMO will further assist with SRF projects. PMO funding will not affect rates because it is bond funded. The ALJ recommends PUC approval of the \$4M increase to the PMO contract. Since GWA indicates it is working towards a transition plan, GWA should file a transition plan with the PUC no later than December 31 of this year.

Commissioner McDonald asked whether these projects would all start this calendar year or whether some would start next calendar year. Tom Cruz, acting General Manager for GWA, stated that the projects should start this calendar year. Commissioner McDonald indicated that he was referring to "calendar year", because the ALJ's recommendation stated that GWA should have a plan by December 31 for the transition period. That is why the question is whether the projects will start this calendar year. Acting GM Cruz indicated that yes, change order process will get started and there will be notice to proceed for various projects.

The Chairman reminded GWA that Commissioner Perez, who is not present this evening has been a strong proponent that there be a transfer of knowledge to the engineering department from Brown & Caldwell. When Brown & Caldwell has fulfilled its mission for GWA, the engineering staff at GWA should be able to take over the work load at that point in time. The Commission will be very interested in seeing the transition plan that is offered by December 31 of this year. GM Cruz indicated that the transition plan was underway.

Commissioner Niven asked how many years the PUC would be dealing with these requests. When will the end be and the transition to phase out Brown & Caldwell by a certain date? GWA Attorney Clark indicated that they did not see that happening. There would always be some level of work that has to be performed, specialized work. Commissioner Niven indicated that the annual amount of work done should go down substantially. GWA Attorney Clark indicated that the peak was at \$5M last year, and now it's at \$4M.

The Chairman asked whether there would be a "regular amount" of fees in the foreseeable future. Attorney Clark indicated that the amount for that level would be much lower. But there is still \$400M of work to do. Commissioner Niven asked if there was a projected date for getting out from under the court order and fulfilling the requirements. Acting GM Cruz indicated the current date is 2021, projected. GWA Attorney Clark indicated GWA's goal is to get out from under the court ordered projects as fast as GWA can.

Commissioner Niven asked how the PUC review process of the transition plan should be done. One possibility is, if the PUC is not satisfied, it could revisit whatever it approves tonight and do something else. Commissioner Niven asked whether it would be filed as a formal petition for approval. GWA Attorney Clark indicated GWA had not discussed that yet. However GWA may just file an informational plan. Commissioner Montinola asked if the transition plan had been requested in the past. Chairman Johnson indicated that, from the very beginning of the relationship with the PMO, it has been desired by the PUC that there would ultimately some type of transition plan. The engineering staff of GWA would then be able to fulfill most of the duties necessary at a certain point in time.

The PUC has been tolerant with the GWA PMO primarily because of the federally stipulated ordered projects. For how long the PUC will be so tolerant is unknown. Commissioner Cantoria indicated that the transition plan should not be limited to a plan for the future. She would like to see a report indicating things that B & C are doing for GWA now, and in the other column what efforts GWA's engineers are taking to participate in the projects and learn from B & C. The plan should indicate what has been done so far and when skill knowledge will be fully transferred over. The PUC might get rid of B & C for GWA, if GWA cannot transition. The PUC encourages local

talents. It should be a serious document filed in December and have the quality of an official report.

Commissioner Montinola asked whether GWA needed 100% of the funds of the \$4M today or could PUC issue 50% to see where we are with the transition project in December. GWA Attorney Clark said GWA's planning was based on the \$4M over two years, which was a two year plan. Commissioner Montinola indicated that in three months the PUC will see what the transition report is to see where we are with the transition. Mr. Montinola indicated that the PUC had been asking for a transition report for a while. The Chairman indicated that based upon the PUC seeing a report in three months, which report has been requested for some time, the rest of the money could be released at that point in time upon PUC approval.

GWA Attorney Clark asked if there would \$2M now. Commissioner Montinola indicated that was correct. Commissioner Pangelinan asked whether the contract specifies \$4M. GWA Attorney Clark indicated that the amount was in the amendment. Commissioner Pangelinan asked whether GWA would break the amount up to modify the amendment. The certification of fund availability is required. Commissioner Pangelinan asked whether the amount could be broken up from half of the projects so that GWA actually has an amount that is approved at the time GWA signs it. Acting GM Cruz indicated there had been similar situations with amendments. Acting GM Cruz indicated that if GWA got half of the money, it would not be used up in the next three months' time.

ALJ Alcantara asked whether the PUC was saying the proposed order should be amended to provide for approval of just half the amount. Commissioner Montinola indicated that it was. The PUC will review the Report and then make a second approval. Upon motion duly made, seconded and unanimously carried, the Commissioners approved payment after the amount requested for the PMO contract with Brown & Caldwell in the amount of \$2M; the remainder would be reviewed after GWA submits its report in December. The Commissioners approved the Order made *Attachment "H"* hereto.

The Chairman announced that the next item for consideration was GWA Docket 16-07, GWA's Fiscal Year 2016 Annual True-Up, ALJ Report, and Proposed Order. ALJ Alcantara indicated this matter involves the true-up report filed in April 2016. The Report reviewed revenue requirements, rate covenants, and other financial policies; it determined and recommends a 3.5% rate increase for basic lifeline and non-lifeline rates for fiscal year 2017, for all rate classes except for agriculture which will remain at the same rate. The 3.5% rate increase will generate a total of \$113M in operating revenue. That is derived from \$68M in water sales, \$39M in waste water, \$3M from the legislative surcharge, \$2M in assisted development charges, and \$1M in other revenues. For the legislative surcharge, GWA proposes 3.27% increase. GWA was able to achieve a cost savings of \$14M this past year.



GWA projects that its obligation for fiscal year 2017 necessitate a revenue requirement of \$82M-\$23M for salaries and benefits, \$21M for utilities., \$11M general and administrative expense, \$4M in contractual expenses, and \$3M in retiree supplemental annuities and healthcare benefits. GWA is also obligated to pay about \$25M of debt service in 2017. Other revenues for FY2017 will be about \$111M. However this amount is based upon the 3.5% rate increase requested. If the rate increase were not approved, GWA revenues would be lessened by \$4.1M. GWA has not completed certain bond projects, such as construction of new wells. New tanks have not been completed and the booster pump station rehabilitation project is still ongoing. GWA submitted bond information which indicates that there is about \$12M remaining in the 2010 bond fund with \$6M unobligated. There is about \$112M remaining in the 2013 bond account with 32.5M unobligated; and about \$140M in the 2016 bond account, which was just recently approved for issuance.

GWA is also requesting additional full time employees, 59 additional positions ranging from customer service representatives, equipment operators, water plant operators, leak detection technicians, and water sewer maintenance workers. The cost to fill these positions is roughly \$2M. Based on the following, the ALJ indicated his recommendation that the PUC stay any rate relief for now. The PUC should be concerned that any of the bond projects have yet to be completed. GWA's filings indicate substantial amounts of bond funds that remain uncommitted in the account. Ratepayers should be given some time of relief while GWA continues its efforts to improve the system. GWA can make up the \$4.1M shortfall by holding off in filing the new positions requested for fiscal year 2017, which will save about \$2M as well as exercise other cost-savings measures for the remaining \$2M. ALJ Alcantara says the legislative surcharge should be continued.

GWA Chief Financial Officer Greg Cruz started by saying that a Senior Credit Analyst with Standard & Poor sated in January 2016 that he had never seen a utility make such a quick turnaround in such a short period of time. In 2010 GWA's credit rating was not investment grade. Its credit was considered junk bond. In a short period of time, in 2013 GWA obtained an investment grade rating from Standard & Poor. Every year the analyst of the credit rating agencies have the GWA 5-year rate plan, GWA has a good story to tell. As a result GWA was able to float \$160M worth of revenue bonds at a good interest rate. It is all due to the credibility from bond holders and rating agencies, GWA only had to borrow \$140M rather than \$160M, \$20M worth of savings. In the 5-year rate plan approved by the PUC, the PUC supported GWA.

Not getting a rate increase for next year will not stop GWA from moving forward. It will still be able to meet the requirements for debt service coverage under the indenture covenant. There will be cuts along the way. If the PUC adopts the ALJ recommendation, GWA will have to reduce its reserves. The rate plan was designed to enable GWA to make money. It will be impossible for GWA to generate and fill reserves without generating income. The \$14M profit for last year went into reserves.

GWA has accumulated \$22M in that reserve. The 3.5% petition that GWA filed roughly equates to a \$2.00 increase per month on a typical customer who uses 5,000 gallons. He does not know what kind of message this would send to the credit agencies and bond holders when they see GWA will get no increase for next year.

The Chairman raised the question of 59 new employees. There may be a rationale for that, but GWA will need to have the General Manager sell this to the PUC. He asked how many employees GWA has now. CFO Cruz indicated it was 340. The Chairman indicated that would be almost a 20% increase in the labor force. GWA would have to give the PUC a good sales job to convince it on increasing the labor force by 20%. If PUC does not increase rates for one year, it is not the end of the world. More of the capital improvement projects need to be moving along than a pipe in the ground and tanks built, the waste water treatment plants done.

Water purchases over the last two years would be increasing from \$5M to \$8M, that's a 60% increase, that is for purchasing water from Fena. CFO Cruz indicated DOD raises the rate every year. Power purchases have been rising from \$6M to \$11M, more than a 50% increase in one fiscal year. There are savings of \$20M from the bond indenture. The Chairman would also like an update on fixing some of the leaks and getting the fire hydrants.

Commissioner Niven expressed his concern with how the proposed decision squares with the 5-year rate case decision. He went back and read it. Aside from calling for 7%, which is now 3.5%, it says that the remaining rate increases for these years shall implemented on October 1 of each fiscal year subject to an annual true-up to reflect actual data for the prior year. The true-up examined in this case would be for fiscal year 2016. It's not a forward looking test year but a true-up of actual data for the prior year. His problem with the proposed decision is that it relies on other factors than those stated in the decision in 2013 for not approving the 3.5%.

If the Commissioners think that they should revise the 2013 decision, they can look at all of their expenses and budget projections. This proposed decision does not fall within the requirements that the Commission found three years ago. There is no basis from the terms of that decision for denying the 3.5%. CFO Cruz indicated his understanding that the decision is supposed to be arrived at within each true-up process by looking at the year before. The PUC is not approving a budget, it is acting on whether or not to grant the rate increase.

The Chairman asked whether, for the upcoming fiscal year, salary and wages includes 59 new employees. CFO Cruz indicated that half of these positions are programed in the 3.5% submitted. The 25% of that amount was budgeted, because it is not anticipated that the employees will come in at the beginning of the fiscal year. It would not come in until perhaps the third quarter of the next fiscal year. GWA is stepping up its preventive maintenance program. The Chairman advised Mr. Cruz that GWA should

not push forward with hiring employees until more of an explanation is given as to why so much labor force is being added.

Commissioner Cantoria stated that plenty of money is idle. Interest is being paid on the monies borrowed for bonds. If the monies are put to good use, they might increase GWA revenue or reduce employees. Until then the ratepayers don't have to be asked for more money because internally GWA can develop a capability to generate funds or reduce its expenses. Why are we paying interest on bond money that we don't use? The 2016 money is hardly touched.

The Chairman asked Mr. Cruz about the three "buckets" that GWA was trying to achieve for reserve funds. CFO Cruz indicated that GWA has cash sitting in those three reserves right now of roughly \$22M. This is largely from profits generated through the year. Mr. Cruz indicated that the rate plan is designed to generate profits so that GWA can fill these reserves. GWA has been dipping into the capital expenditure reserve. There are three reserves, debt service reserve, O & M reserve, and Cap-ex reserve. There is \$8M in the debt service reserve. If GWA did not have that \$8M, Mr. Cruz cannot tell the PUC that a zero percent increase is achievable.

In the O & M reserve is roughly \$5M. There is another \$8 or \$9M in the Cap-ex reserve. The Chairman asked what was the ultimate goal for these three funds that GWA was trying to achieve. Mr. Cruz indicated that cap-ex is the biggest challenge right now in terms of meeting the goal. Under the 5-year rate plan, GWA said that there was \$48M it was going to place into that reserve by the end of the 5<sup>th</sup> year of the 5-year rate plan, which is the end of 2018. In the other reserves GWA has met what it was supposed to do. However the capital expenditure budget has not been filled. In tapping into the cap-ex fund, as Commissioner Cantoria pointed out, GWA is paying interest on that amount.

Commissioner Niven asked CFO Cruz how an increase reduction from the credit rating agencies of the GWA rating would mean for customers. Mr. Cruz stated that when GWA's credit quality improves, then the risk in investing in GWA bonds reduces. The investors are paying for a lower risk. As the risk drops, the return is lower interest rates. Commissioner Niven asked whether this would make a difference for future bond issuances. CFO Cruz indicated that it would. GWA is now looking at going back to the market. He has discussed with the CCU about refunding the 2010 revenue bonds in January or February of next year.

The Chairman asked what the present interest was. CFO Cruz indicated it was 5 to 5.5%. Mr. Cruz indicated that presently GWA was looking at a 9% at present value savings. The bench mark is 2.5% to 3%. Right now GWA is looking at a 9% to 10% savings, about \$50M in savings. Commissioner Niven asked whether if the PUC saved customers \$4M tonight, will they have to pay more in the future because of the credit rating agencies that would possibly look at GWA not as favorably, and the bonds would be more expensive. CFO Cruz concurred.

The \$14M dollars in gross savings anticipated from the refunding would be passed back to the ratepayers in terms of lower debt service. The Chairman indicated his view that the rating agencies would not change their opinion regardless of action by the Commission here. The Chairman then asked about the system development fund. CFO Cruz indicates GWA collects a million dollars a year. It is in a lockbox. GWA has not used any of it. There is \$9M sitting in that lockbox. The Chairman asked what the funds would be used for in the future. CFO Cruz said for new water wells.

Commissioner Niven asked that the proposed decision be revised to indicate that GWA has complied with the provisions of the 2013 5-year rate case decision, and that the 3.5% rate increase is approved. Commissioner Montinola asked whether the point was that ratepayers would pay \$2.00 today to save \$1.00 tomorrow. CFO Cruz indicated that was correct. Commissioner Montinola asked Commissioner Niven to clarify his point about the 2013 decision. Commissioner Niven stated that the 5-year plan did not set up an annual rate case where everything is examined that the proposed expenditures for the following year are approved. It just requires a true-up. There is a protocol. He assumes GWA has met the protocol and provided the information. The PUC is simply implementing the decision of 2013, has not been asked to look at the 2017 expenditures or to approve them in any way.

Commissioner Pangelinan asked whether the true-up was supported by the 2017 budget. Commissioner Niven indicated it was supported by actual data from FY2016 till the end of the fiscal year. The 2013 decision does not refer to the following year budget or proposed expenditures. The Chairman indicated that for FY2016, salaries and wages went from \$16,198,000 to \$19,740,000, an increase of almost \$4M. That is a 25% increase in salaries and wages in that fiscal year. Why? CFO Cruz indicated that benefits drive salary increases; it is about 30% of gross salary. This includes healthcare, medical, dental, and retirement benefits.

The Chairman indicated that PUC has been working with both GPA and GWA on the CPT salary. He asked whether GWA had increased the percentile over the last year. CFO Cruz indicated that GWA had not. CFO Cruz indicated GWA was in the 5<sup>th</sup> percentile. The Chairman stated that a 25% increase in salaries and wages in one year was significant. GWA is looking at a 40% increase in two years. CFO Cruz indicated that GWA does not ordinarily spend its authorized budget; expenditures are normally 10% below the authorized amount.

The Chairman asked GWA whether there was progress on the water leaks. The Acting GM Cruz indicated that GWA was down to 40% loss. There was a drop. The production wells and leak repairs are positive in that regard. Commissioner Montinola confirmed that GWA was reducing its rate request from the 7% to 3.5%. Commissioner Montinola asked whether the 3.5% could go down. CFO Cruz indicated that it would not. The Chairman stated that since GWA has 59 new employees, it will go up. CFO Cruz indicated that there would be debt service on the 2016 bond that will start coming

in towards the end of 2017. That drives why GWA can't reduce the rate increase for next year or the following year, because of the debt service kicking in the 2016 bond. Debt service is driving this rate plan.

The Chairman indicated he was cautious about adding new employees with the expensive benefits and salary packages. Commissioner Montinola asked whether GWA could still hire its new 59 employees if the rate increase was not approved. The Chairman indicated that GWA could. It would just have to find the money. The Chairman indicated that it was up to GWA to determine how to spend the money and that the PUC does not run the agency. Commissioner Montinola asked whether the \$2.00 is something GWA could work with. CFO Cruz indicated that it could. Even without the increase, GWA could still meet the deadlines.

GWA could still also meet the PUC debt service covenant of 1.75 and the 1.25 bond debt covenant, even without a rate increase. But there would be a cash deficiency for GWA to make up. CFO Cruz indicated that additional cash might have to be pulled from reserves. An option was also reducing expenses. GWA Attorney Clark indicated that GWA will face a problem of needing personnel for the new facilities that are coming online. Agat is a secondary system. People there now are not trained at that facility.

CFO Cruz indicated that GWA has implemented a new asset management and maintenance system. Additional staff will be needed to maintain this system rather than out-sourcing the work. Commissioner Pangelinan indicated his concern about Commissioner Niven's points. The PUC could be doing something inconsistent with the prior Order or that doesn't comply with the 2013 Order. Commissioner Niven is not sure why there is even a new docket number for this matter. It's really a question of carrying out the 5-year plan that was approved back then. Commissioner Pangelinan asked what was the scope of the PUC review and the true-up in assessing whether the true-up is in compliance.

ALJ Alcantara indicated that the true-up pretty much reconciles the projections from the prior year. The agency provides projections with regard to expenses and revenues for next fiscal year and the true-up process is sort of a reconciliation. The question is whether the rate increase will account for the shortfalls or increases in revenue. The true-up process allows for the reconciliation in the event that there is a departure from what the agency projected in the prior year. Commissioner Pangelinan indicated that in presenting that, GWA would present their expenses and projected expenses for the next year. Then the Commissioners are trying to match up the rate increase with the upcoming expenses for those new items that GWA raises for the first time, such as new employees.

The Chairman indicated that in the original 5-year rate plan the PUC was not looking at increasing the labor force by 20%. Commissioner Niven stressed that the true-up is for FY2016. Because of a net savings in 2016, GWA only needed the 3.5% rather than the 7%. CFO Cruz confirmed that reduction was based upon FY2016 rejections.

Commissioner Niven believes that the PUC already approved the 7%. According to Mr. Niven, the original Rate Order stated if the remaining increases shall be implemented on October 1 of each fiscal year subject to an annual true-up to reflect the actual data for the prior year. Commissioner Cantoria asked whether Commissioners wanted to give GWA a 3.5% increase because they made good on the past five years, as a reward. Commissioner Niven indicated that the reason to give the rate increase was the decision the Commission made three years ago, to give the 7% subject to a true-up. The true-up shows they save money, so they get 3.5% instead of 7%. Commissioner Niven believes the decision was made back then. There's a 5-year rate decision.

Commissioner Niven asked PUC Counsel if PUC was tied to a 5-year rate case plan. Counsel stated that it was not. The 5-year rate plan is a projection. It can change over five years. It has never been the case that the Commission is locked into the percentage that was agreed to, because it is an estimate. It can be changed. Counsel has also argued that, absent something showing that circumstances have substantially changed, the Commission generally sticks with the plan. Those are different views of what the true-up involves. Consultant Lummus used to treat the true-up like a rate case, and turned true-ups into a mini rate case. A 5-year rate plan is not absolutely binding.

Commissioner Cantoria indicates that a 5-year rate plan does affect the ratings. The Chairman indicated that the last bond issuance has placed GWA in a good position with a low interest rate whether it is a cash-favorable position overall, more than what was predicted in the 5-year rate plan. A public agency should reward ratepayers because theirs have rewarded the agency quite handsomely over the last three years. If the 5-year rate plan was locked in, the PUC should only give the 7% to GWA. There are many variables along the way involved in a 5-year rate plan.

Commissioner Montinola is concerned about sticking with the plan and the impact of the rating agencies on the utility. He favors assisting the utility in making sure that it can sustain its operations. Since the rate increase has been reduced by one half, the ratepayers will be paying \$2.00 rather than \$4. This will assist the utility in staying true to its plans and filling the reserve fund buckets. Commissioner Montinola seconded Commissioner Niven's motion. Upon motion duly made, seconded and unanimously carried, the Commissioners, by a 4 to 2 vote, approved a 3.5% rate increase for GWA commencing for meters read and after October 1, 2016. The Commissioners adopted the amended Order made in *Attachment "I"* hereto.

## **7. Administrative Matters**

The Chairman indicated that the PUC would keep the budget at the same level as last year, \$492,500. No assessment is being made against Guam Solid Waste this year because the PUC did not do anything for it over the last year. So there will be an assessment of roughly \$125k each to the other agencies, Telecom, GPA, GWA, and the Port. According to the Administrator, last year the assessment was \$98,500 per agency.

Upon motion duly made, seconded and unanimously carried, the Commissioners approved the PUC Budget for FY2017 at \$492,500.

The Chairman stated that the next matter was Deliberations concerning Extension of PUC contracts. Counsel confirmed that the Assessment Order had also been approved. He indicated that Resolution 16-01 would extend the professional services agreement for the PUC water and power consultant, which is now Kelly Energy Associates. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the one year extension of the water and power consultant agreement.

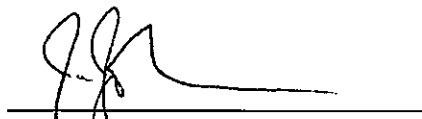
The Chairman stated that the next matter was Resolution 16-02. Counsel indicated that this resolution was to extend the consultant agreements for one year for PUC Counsel, Administrative Law Judge, and Consultant for FY2017. Upon motion duly made, seconded and unanimously carried, the Commissioners approved Resolution 16-02 and extended the consultant agreements of PUC Counsel, Administrative Law Judge, and Consultant for FY2017.

The Chairman stated that the next matter was Resolution 16-03. Counsel indicated that the Resolution would extend the professional services agreement with the telecommunications consultant for another year. Upon motion duly made, seconded and unanimously carried, the Commissioners approved Resolution 16-03 and extended the Consultant agreement for the telecommunications consultant for one year.

The Chairman stated that the next matter was Resolution 16-04. Counsel stated that this Resolution would approve the contract for the Administrator for another year with a salary increase of \$2,000. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the one year extension of the Administrator's agreement and a \$2,000 salary increase.

Counsel indicated that the other matters were only informational. GPA's budget for FY2017 was provided as an informational matter.

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

  
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Jeffrey J. Johnson  
Chairman

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION  
REGULAR MEETING  
SUITE 202, GCIC BUILDING  
414 W. SOLEDAD AVE., HAGATNA, GUAM  
6:30 p.m., September 29, 2016**

**Agenda**

- 1. Approval of Minutes of August 25, 2016**
- 2. PTI Pacifica Inc.**
  - PTI Docket 16-01, PTI Petition for Annual USAC Certification, PUC Counsel Report, and USAC Certification
- 3. Guam Telecom LLC**
  - GT Docket 16-01, Petition for Annual USAC Certification, PUC Counsel Report, and USAC Certification
- 4. TeleGuam Holdings LLC**
  - GTA Docket 16-04, Petition of GTA for Annual USAC Certification, PUC Counsel Report, and USAC Certification
  - GTA Docket 16-05, Petition of GTA/Pulse Mobile for Annual USAC Certification, PUC Counsel Report, and USAC Certification
  - GTA Docket 16-03, GTA Tariff Transmittal No. 26, ALJ Report, and Proposed Order
- 5. Guam Power Authority**
  - GPA Docket 16-13, GPA Petition to Approve FY2017 CIP Ceiling Cap, PUC Counsel Report, and Proposed Order
  - GPA Docket 16-14, GPA Petition for Approval of Insurance Invitation for Bids, PUC Counsel Report, and Proposed Order
- 6. Guam Waterworks Authority**
  - GWA Docket 16-06, GWA Petition for Approval of Amendment 6 to PMO with Brown & Caldwell, ALJ Report, and Proposed Order
  - GWA Docket 16-07, GWA's FY2016 Annual True-Up, ALJ Report, and Proposed Order
- 7. Administrative Matters**
  - FY2017 Administrative Budget/Annual Assessment Order
  - Deliberations concerning Extension of PUC Contracts:
    - Legal Counsel
    - Administrative Law Judge
    - PUC Consultant
    - Administrator
    - Telecommunications Consultant
    - Proposed Resolutions 16-02, 16-03, and 16-04 and Proposed Letters
- 8. Other Business**

**ATTACHMENT A**



**Guam Public Utilities Commission**

**To: Marlene H. Dortch  
Office of the Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554**

**Irene M. Flannery  
Vice-President – High Cost & Low Income Division  
Universal Service Administration Company  
2000 L Street, N.W. Suite 200  
Washington, DC 20036**

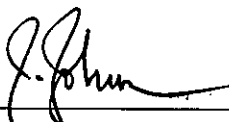
**RE: CC Docket 96-45/WC Docket No. 10-90 – Annual State-Certification of  
Support for Eligible Telecommunications Carriers Pursuant to 47 C.F.R.  
§54.314**

Pursuant to the requirements of 47 C.F.R §54.314, the Guam Public Utilities Commission hereby certifies to the Federal Communications Commission and the Universal Service Administrative Company that PTI Pacifica Inc. is eligible to receive federal high-cost support for the program years cited.

The Guam Public Utilities Commission certifies for PTI Pacifica Inc. that all federal high cost support provided to such carrier within Guam was used in the preceding calendar year (2015) and will be used in the coming calendar year (2017) only for the provisioning, maintenance and upgrading of facilities and services for which the support is intended, consistent with Section 254(e) of the Communications Act.

I am authorized to make this certification on behalf of the Guam Public Utilities Commission. This certification is for study area 669004 for the Territory of Guam.

Dated this 29th day of September, 2016.

  
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Jeffrey C. Johnson  
Chairman  
Guam Public Utilities Commission

**ATTACHMENT B**

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



In the Matter of:

PTI PACIFICA INC.  
USAC CERTIFICATION

) PTI Docket 16-01

) PUC COUNSEL REPORT  
)  
)  
)  
)

**BACKGROUND**

On August 31, 2016, PTI Pacifica Inc. ("PTI") petitioned the Guam Public Utilities Commission ("PUC") to issue a certification that PTI will use federal universal service support funds for purposes in compliance with Section 254(e) of the Telecommunications Act.<sup>1</sup> PTI seeks a finding by the PUC that it will comply with §254(e), which states that universal service funds ("USF"), may be used only for the purposes designated in the Federal Act.

PTI receives monies from interstate USF that are designated to support local services, build needed infrastructure and improve service quality. Each year the PUC is required to certify to the Federal Communications Commission ("FCC") and the Universal Service Administrative Company ("USAC") that universal service funds will be used only for the purposes designated in the Federal Act. Absent such a Certification by PUC, PTI, as an "Eligible Telecommunications Carrier" ("ETC"), would be denied funds for each quarter of the year that certification is delayed.

On January 7, 2008, the PUC granted PTI's Petition for Designation as an ETC throughout the Territory of Guam.<sup>2</sup> In accord with such Order, PTI's annual designation as an ETC is subject to its provision of annual certifications and data submissions to the PUC. PUC requires such information so that it can ensure that funds received by PTI will be expended in accordance with the requirements of the Telecommunications Act. Based upon the certifications and documentation provided by PTI in its 2015 Annual Compliance Filing, it is Counsel's opinion that there is a sufficient factual and evidentiary basis upon which the Commission can reasonably certify that the USF distributed to PTI in calendar year 2017 will be used in accord with the purposes and requirements designated in the Federal Act. Counsel recommends that PTI's request for USAC certification be GRANTED with respect to wireless services. A draft letter to the FCC is submitted herewith.

<sup>1</sup> PTI 2016 Annual Compliance Filing, PTI Docket 16-01, filed August 31, 2016.

<sup>2</sup> PUC Order Approving Designation, Docket 08-05, issued January 7, 2008.

## RECENT DEVELOPMENTS IN PTI OPERATION

On May 2, 2008, PTI acquired the telecommunications assets of IT&E, a carrier that had been certified as an ETC by the FCC. This transaction included all of IT&E's wireless and wire line operations, including its CLEC operations. In addition, on May 28, 2009, the PUC issued an ORDER approving the assignment and transfer of the Certificate of Authority of IT&E to PTI.<sup>3</sup>

In 2009, PTI decided to retain its official corporate name but to use IT&E as a trade name on both Guam and in the CNMI so that subscribers on all four of the islands PTI serves realize they are being provided service by the same company.<sup>4</sup>

This is the eighth annual USAC filing by PTI. In 2009 through 2015, the PUC Chairman, on behalf of the PUC, issued USAC Certifications for each year that PTI Pacifica Inc. would use federal high cost support funds only for the provisioning, maintenance and upgrading of facilities and services for which the support is intended, consistent with §254(e) of the Communications Act.<sup>5</sup>

Along with its Filing, PTI is required to include a detailed build-out plan satisfying the FCC's requirements as part of its annual submission (Five Year Quality Service Improvement Plan). PTI has filed an updated build out plan, in satisfaction of the FCC requirements.<sup>6</sup> The plan provides site by site descriptions of the improvements that have been made and those planned in the next five years. In compliance with the requirements of 47 C.F.R. §54.209 (a) (1), PTI has filed actual expenditures for 2015 and a detailed listing of expenditures on a site by site basis by wire centers.<sup>7</sup> PTI states that it has invested funds in excess of payments received from the Universal Support Fund in improving the service quality of its network to provide the supported services in Guam.<sup>8</sup>

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<sup>3</sup> PUC Order Approving Assignment and Transfer of IT&E Overseas Inc. Certificate of Authority to PTI Pacifica Inc., issued May 28, 2009.

<sup>4</sup> PTI 2011 Annual Compliance Filing, PTI Docket 11-01, Exhibit 3 [Five Year Service Quality Improvement Plan, Guam, August 2011], filed August 19, 2011.

<sup>5</sup> PUC "Use" Certification, CC Docket 96-45, dated September 15, 2009; PUC "Use" Certification, CC Docket 96-45, dated September 15, 2010; PUC "Use" Certification, CC Docket 96-45, dated September 19, 2011; PUC "Use" Certification, CC Docket 96-45, dated September 1, 2012; PUC "Use" Certification, CC Docket 96-45, dated November 26, 2013, as amended January 9, 2014; PUC "Use" Certification, CC Docket 96-45, dated September 26, 2014; and PUC "Use" Certification, CC Docket 96-45, dated September 24, 2015 .

<sup>6</sup> PTI 2016 Annual Compliance Filing, PTI Docket 16-01, FIVE YEAR SERVICE QUALITY IMPROVEMENT PLAN, filed August 31, 2016 (FCC Form 481, Section 100); The Five Year Service Quality Improvement Plan is filed under a Claim of Confidentiality pursuant to the PUC Rules governing Telecommunications Companies.

<sup>7</sup> Id.

<sup>8</sup> Id.

During the present reporting period, PTI made a considerable number of improvements to existing sites. In 2015, PTI implemented software upgrades, buildout of its RRUS expansion project, optimization efforts at numerous cell sites, and enhancements to its billing system, as well as many other projects.<sup>9</sup> For 2016-2017, PTI plans the removal of existing GSM and CDMA equipment.<sup>10</sup>

## REQUIREMENTS

The PTI ETC Designation Order contains the following requirements:

- (a) PTI must comply with any local usage requirements prescribed by the FCC;
- (b) PTI must comply with any FCC requirements concerning E911 services when implemented in the Territory of Guam;
- (c) PTI must certify to the Commission that PTI (i) offers all of the services designated by the FCC for support pursuant to §254(c) of the Federal Act either using its own facilities or a combination of its own facilities and resale and (ii) advertises the availability of supported services and related charges using media of general distribution;
- (d) PTI must notify the Commission within thirty (30) days of any determination that it cannot provide service to a requesting customer in accordance with the FCC's requirements;
- (e) PTI must file a detailed build-out plan satisfying the FCC's requirements;
- (f) PTI must file with the Commission by August 31 of each year an annual certification in substantially the form required by §314(b) of the Act and §54.314(c) of the FCC's rules to verify that PTI will use federal high-cost support only for those facilities and services for which the support is intended;
- (g) PTI must annually submit to the Commission by August 31 of each year the following records and documentation:
  - (i) PTI's progress towards meeting its build-out plans;

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<sup>9</sup> Id. at pgs. 3-8.

<sup>10</sup> Id. at pgs. 8-19.

- (ii) information on any outage lasting at least 30 minutes and potentially affecting either at least 10 percent of the end users served or 911 facilities;
  - (iii) the number of requests for service from potential customers within PTI's service area that were unfulfilled for the past year;
  - (iv) the number of complaints per 1,000 handsets;
  - (v) PTI's compliance with the CTIA Consumer Code;
  - (vi) PTI's certification that it is able to function in emergency situations;
  - (vii) PTI's certification that it is offering a local usage plan comparable to that offered by the incumbent local exchange carrier; and
  - (viii) PTI's certification that it acknowledges that the Commission may require it to provide equal access to long distance carriers in the event that no other ETC is providing equal access in the service area.
- (h) PTI must promptly submit to the Commission any additional information or reports that the Commission may reasonably request from time to time.

### COMPLIANCE WITH REQUIREMENTS

(a) *Local usage requirements—*

PTI certified that it does offer all of the core services identified for USF.<sup>11</sup>

(b) *E911 service—*

In its application for ETC designation, PTI indicated that it would support 911 service and E911 once implemented by the Government of Guam. PTI continues to support 911 services by forwarding such calls to the applicable government agencies. If and when E911 is adopted in Guam, PTI will comply with such requirements.<sup>12</sup>

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<sup>11</sup> PTI 2016 Annual ETC Compliance Filing, PTI Docket 16-01, Exhibit 2 [CERTIFICATION REGARDING PROVISION AND ADVERTISING OF SUPPORTED SERVICES, DECLARATION OF STEVEN CARRARA, GENERAL COUNSEL].

<sup>12</sup> PTI 2016 Annual ETC Compliance Filing, PTI Docket 16-01, Exhibit 1 [CERTIFICATION REGARDING PROVISION OF 911 SERVICES, DECLARATION OF STEVEN CARRARA,

(c) *Certification of services-*

PTI has provided a certification that it offers all of the services designated by the FCC for support pursuant to §254(c) of the Federal Act either using its own facilities or a combination of its own facilities and resale. It further certified that it advertises the availability of supported services in media of general distribution.<sup>13</sup>

(d) *Notification of inability to provide service to a requesting customer-*

PTI reports that for the period of July 1, 2015, through June 30, 2016, it had no unfulfilled requests for voice service interconnected with the public telephone network.<sup>14</sup>

(e) *Filing of a detailed build-out plan satisfying the FCC's requirements –*

PTI has filed a detailed Five-year service quality improvement plan which appears to be in compliance with applicable requirements [see further discussion with regard to paragraph (g)(i) below].

(f) *Filing of annual certification under Section 54.314(b)–*

PTI has certified that all federal high-cost support provided to it in the Territory of Guam will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.<sup>15</sup>

(g) *Documentation-*

(i) PTI's progress towards meeting its build-out plans – PTI made progress in 2015 in maintaining, upgrading, and improving its network and the quality of its wireless voice and data service. PTI implemented software upgrades, buildout of its RRUS expansion project, optimization efforts at numerous cell sites, and enhancements to

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GENERAL COUNSEL].

<sup>13</sup> PTI 2016 Annual ETC Compliance Filing, PTI Docket 16-01, Exhibit 2 [CERTIFICATION REGARDING PROVISION AND ADVERTISING OF SUPPORTED SERVICES, DECLARATION OF STEVEN CARRARA, GENERAL COUNSEL].

<sup>14</sup> PTI 2016 Annual ETC Compliance Filing, PTI Docket 16-01, at p. 3.

<sup>15</sup> PTI 2016 Annual ETC Compliance Filing, PTI Docket 16-01, Exhibit 3 [CERTIFICATION SUPPORTING FILING UNDER FCC RULE 54.314, DECLARATION OF STEVEN CARRARA, GENERAL COUNSEL].

its billing system. For 2016-2017, there will be a program of removal of existing GSM and CDMA equipment.<sup>16</sup> PTI has given a commitment to continue its efforts to upgrade the capabilities of its supported networks in the future. It continues to appear that PTI has demonstrated substantial progress in achieving the service improvements envisioned by the Federal USF programs.<sup>17</sup>

(ii) Information on any outages – PTI reported that it did have an outage lasting at least 30 minutes and potentially affecting either at least 10 percent of the end users served or 911 facilities within the period of July 1, 2015, through June 31, 2016. On July 7, 2015, the Company's CDMA and GSM wireless network suffered an outage lasting 8 days resulting from a break in the Company's interisland fiber cable. The Company's WCDMA wireless network remained operational and numerous customers were provided phones, free of charge, to migrate to that network. CDMA and GSM customers were provided service credits for the outage.<sup>18</sup>

(iii) Unfulfilled requests for service – PTI indicates that it had no unfulfilled requests for voice service interconnected with the public telephone network for the period of July 1, 2015, through June 31, 2016.<sup>19</sup>

(iv) Complaints per 1,000 handsets - PTI reports that for the period of July 1, 2015, through June 30, 2016, it did not receive any complaints per 1,000 handsets.<sup>20</sup>

(v) Compliance with the CTIA Consumer Code - PTI certifies that it is in compliance with the CTIA Consumer Code during the reporting period.<sup>21</sup>

(vi) Ability to function in emergency situations – PTI certified that it has the ability to remain functional in emergency situations. There is a reasonable amount of backup power to ensure functionality without an external power source. PTI indicated that it can reroute traffic around damaged facilities and is capable of managing traffic spikes resulting from emergency situations.<sup>22</sup>

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<sup>16</sup> Id. at pgs. 8-19.

<sup>17</sup> PTI 2016 Annual ETC Compliance Filing, PTI Docket 16-01, FIVE YEAR SERVICE QUALITY IMPROVEMENT PLAN filed August 31, 2016(FCC Form 481, Section 100).

<sup>18</sup> Id. at p. 3.

<sup>19</sup> Id.

<sup>20</sup> Id.

<sup>21</sup> Id.

<sup>22</sup> Id.

(vii) Certification of local usage plan – PTI presently offers an unlimited usage local calling plan available to all customers. It currently offers various local usage plans that provide consumer value that are reasonably comparable to the plans offered by the ILEC, GTA Telecom. It is continuing to assess its rate plans in Guam, and will report to the Commission at least annually on its offerings, consistent with its ETC reporting requirement.<sup>23</sup>

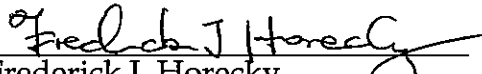
(viii) Equal access certification - PTI has certified that the PUC may require it to provide it equal access to long distance carriers in the event that no other ETC is providing equal access in the service area.<sup>24</sup>

(h) *Prompt submission of information or reports-*

PTI must promptly submit to the Commission any additional information or reports that the Commission may reasonably request from time to time. PTI has been responsive in providing information requested by PUC Legal Counsel.

PTI indicates that, during the calendar year 2015, it received \$1,814,172 in USF support funds. It further states that these funds have all been used to improve the service quality of PTI's network in Guam.<sup>25</sup> Legal Counsel has not become aware of any contrary evidence which would contradict the above certifications by PTI. It is Legal Counsel's belief that PTI has satisfied all of the criteria set forth in the PTI ETC Designation Order and the FCC's requirements. PTI has already made major and substantial progress on its network and service improvement plans. There is no basis upon which it would be expected that future USF support will not be used for the purposes intended. Therefore, Legal Counsel recommends approval of PTI's request for USAC certification.

Dated this 12th day of September, 2016.

  
Frederick J. Horecky  
PUC Legal Counsel

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<sup>23</sup> Id. at pgs.4-5.

<sup>24</sup> Id. at p.5.

<sup>25</sup> PTI 2016 Annual ETC Compliance Filing, PTI Docket 16-01, FIVE YEAR SERVICE QUALITY IMPROVEMENT PLAN, filed August 31, 2015, at p. 1.



**Guam Public Utilities Commission**

**To: Marlene H. Dortch  
Office of the Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554**

**Irene M. Flannery  
Vice-President – High Cost & Low Income Division  
Universal Service Administration Company  
2000 L Street, N.W. Suite 200  
Washington, DC 20036**

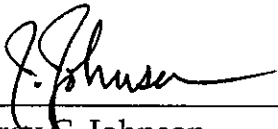
**RE: CC Docket 96-45/WC Docket No. 10-90 – Annual State-Certification of  
Support for Eligible Telecommunications Carriers Pursuant to 47 C.F.R.  
§54.314**

Pursuant to the requirements of 47 C.F.R §54.314, the Guam Public Utilities Commission hereby certifies to the Federal Communications Commission and the Universal Service Administrative Company that Guam Telecom, LLC, is eligible to receive federal high-cost support for the program years cited.

The Guam Public Utilities Commission certifies for Guam Telecom, LLC, that all federal high cost support provided to such carrier within Guam was used in the preceding calendar year (2015) and will be used in the coming calendar year (2017) only for the provisioning, maintenance and upgrading of facilities and services for which the support is intended, consistent with Section 254(e) of the Communications Act.

I am authorized to make this certification on behalf of the Guam Public Utilities Commission. This certification is for study area 669005 for the Territory of Guam.

Dated this 29th day of September, 2016.

  
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Jeffrey C. Johnson  
Chairman  
Guam Public Utilities Commission

**ATTACHMENT C**

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

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) GT DOCKET 16-01  
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GUAM TELECOM, LLC  
USAC CERTIFICATION  
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) PUC COUNSEL REPORT  
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**BACKGROUND**

On November 29, 2010, the PUC granted GT's Petition for Designation as an Eligible Telecommunications Carrier ("ETC") throughout the Territory of Guam.<sup>1</sup> In accord with such Order, GT's annual designation as an ETC is subject to the provision of annual certifications and data submissions to the PUC.

GT has previously filed six Petitions for USAC Certification with the PUC.<sup>2</sup> On March 21, 2011, September 19, 2011, September 10, 2012, November 26, 2013, September 26, 2014, and September 24, 2015, the PUC Chairman issued "Use" Certifications indicating that Guam Telecom LLC would use federal high cost support funds only for the purposes for which the support is intended.<sup>3</sup>

On September 16, 2016, Guam Telecom, LLC ("GT") petitioned the Guam Public Utilities Commission ("PUC") to issue a certification that GT will use federal universal service support funds for purposes in compliance with Section 254(e) of the

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<sup>1</sup> PUC Order Approving Designation, GT Docket 10-01, issued November 29, 2010.

<sup>2</sup> GT Petition for Annual Certification from the Guam Public Utilities Commission Re: Universal Service Funds (47 C.F.R. §54.314), GT Docket 11-02, filed March 10, 2011; GT Petition for Annual Certification from the Guam Public Utilities Commission Re: Universal Service Funds (47 C.F.R. §54.314), GT Docket 11-03, filed September 8, 2011; GT Petition for Annual Certification from the Guam Public Utilities Commission Re: Universal Service Funds (47 C.F.R. §54.314), GT Docket 12-02, filed August 28, 2012; GT Petition for Annual Certification from the Guam Public Utilities Commission Re: Universal Service Funds (47 C.F.R. §54.314), GT Docket 14-01, filed November 26, 2013; GT Petition for Annual Certification from the Guam Public Utilities Commission Re: Universal Service Funds (47 C.F.R. §54.314), GT Docket 14-02, filed August 27, 2014; and GT Petition for Annual Certification from the Guam Public Utilities Commission Re: Universal Service Funds (47 C.F.R. §54.314), GT Docket 15-01, filed September 12, 2015.

<sup>3</sup> PUC "Use" Certification, CC Docket 96-45, issued March 21, 2011; PUC "Use" Certification, CC Docket 96-45, issued September 19, 2011; PUC "Use" Certification, CC Docket 96-45, issued September 10, 2012; PUC "Use" Certification, CC Docket 96-45, issued November 26, 2013, as amended on January 9, 2014; PUC "Use" Certification, CC Docket 96-45, issued September 26, 2014; and PUC "Use" Certification, CC Docket 96-45, issued September 24, 2015.

Telecommunications Act.<sup>4</sup> GT seeks a finding by the PUC that GT will comply with §254(e), which states that universal service funds (“USF”), may be used only for the purposes designated in the Federal Act. Based upon such a finding by the PUC, GT will be eligible to receive support pursuant to 47 C.F.R. §§54.301, 54.305, and/or 54.307, in the first, second, third and fourth quarters of the upcoming year.<sup>5</sup>

### **REQUIREMENTS AND COMPLIANCE THEREWITH**

1. The requirements for an eligible telecommunications carrier to qualify for the receipt of universal service support funds are set forth in 47 C.F.R. Part 54.<sup>6</sup>
  - (a) A carrier that receives federal universal service support must use that support only for the provision, maintenance and upgrading of facilities and services for which the support is intended.<sup>7</sup> Attached as Exhibit A to GT’s Petition is the certification and declaration by James W. Hoffman II, the Chief Legal Officer of GT, that GT will use federal high cost support funds only for the provisioning, maintenance and upgrading of facilities and services for which the support is intended, consistent with §254(e) of the Communications Act. This certification is for study area 669005.<sup>8</sup>
  - (b) Pursuant to 47 C.F.R. §54.101(e), an eligible telecommunications carrier must offer each of the designated services in order to receive federal universal service support.<sup>9</sup> In particular, an ETC is required to provide the following services in order to be supported by Federal Universal Service Support mechanisms:
    - (1) Voice grade access to the public switched network;
    - (2) Local Usage;
    - (3) Dual tone multi-frequency or its functional equivalent;

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<sup>4</sup> GT Petition for Annual Certification from the Guam Public Utilities Commission Re: Universal Service Funds (47 C.F.R. §54.314), GT Docket 16-01, filed September 16, 2016.

<sup>5</sup> Id. at p. 1.

<sup>6</sup> 47 C.F.R. Part 54, Universal Service.

<sup>7</sup> 47 C.F.R. §54.7.

<sup>8</sup> GT Petition for Annual Certification from the Guam Public Utilities Commission Re: Universal Service Funds, GT Docket 16-01, Exhibit A [Declaration of James W. Hoffman II].

<sup>9</sup> 47 C.F.R. §54.101(b).

- (4) Single-party service or its functional equivalent;
  - (5) Access to emergency services (such as 911 and enhanced 911);
  - (6) Access to operator services;
  - (7) Access to interexchange service;
  - (8) Access to directory assistance; and
  - (9) Toll limitation for qualifying low-income consumers.<sup>10</sup>
2. GT has certified that it complies with its ETC Designation Order Requirements as set forth in 47 C.F.R. §54.101(a).<sup>11</sup>
- (a) Local Usage. GT certifies that it currently provides throughout Guam all of the services and functionality supported by the federal universal service program enumerated in 47 C.F.R. §54.101(a).<sup>12</sup>
  - (b) E911 Service. GT has certified that it currently provides its subscribers with 911 and enhanced 911 through arrangements with the incumbent local exchange carrier, GTA, which has the sole connection to the government of Guam's PSAP in the service area.<sup>13</sup>
  - (c) Certification of Service. GT has provided a certification that it offers all of the services designated by the FCC for support pursuant to §254(c) of the Federal Act either using its own facilities or a combination of its own facilities and resale. It further certifies that it advertises the availability of supported services through general television advertisements and on radio stations, and will continue to expand such advertising. Lifeline Assistance Service and Operator Assisted Services are now included in its General Exchange Tariff No. 1.<sup>14</sup>

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<sup>10</sup> Id.

<sup>11</sup> GT Petition for Annual Certification from the Guam Public Utilities Commission Re: Universal Service Funds (47 C.F.R. §54.314), GT Docket 16-01, filed September 16, 2016, at pgs. 2-4.

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

<sup>13</sup> Id.

<sup>14</sup> Id.

- (d) Notification of Inability to Provide Service to a Requesting Customer. An ETC such as GT is required to report “the number of requests for service from potential customers within the eligible telecommunication carrier’s service areas that were unfulfilled during the past year.”<sup>15</sup> GT certifies that, for the period of January 1, 2015 to December 31, 2015, it had no unfulfilled requests for voice service interconnected with the public phone network.<sup>16</sup>
- (e) Filing of a Detailed Build-Out Plan Satisfying the FCC’s Requirements. GT is required to submit a five year plan that describes with specificity proposed improvements or upgrades in its network.<sup>17</sup> GT’s Five Year Network Improvement Plan is set forth as Exhibit B to its Petition, filed under a claim of confidentiality with the PUC, on September 16, 2016.<sup>18</sup> The Plan provides a description of the detailed improvements to its network structure over a five year period from 2011 through 2015, which improvements are ongoing for periods of up to five years and which GT has made or intends to make to its network.<sup>19</sup> In 2016 and thereafter, it will continue with various projects designed to expand and improve its HFC network through the placement of more fiber optic lines and fiber optic equipment in neighborhoods on Guam and to support the core services designated for USF support.<sup>20</sup> GT has deployed over one hundred and fifty Wi-Fi access points around the island to expand wireless connectivity.<sup>21</sup> GT plans to improve its wire centers through hardware and software upgrades to its voice switching equipment to increase the number of subscribers that may be served.<sup>22</sup> GT has been able to make improvements to its wire centers by adding new infrastructure to certain low income subdivisions.<sup>23</sup>

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<sup>15</sup> 47 C.F.R. §54.209(a)(3).

<sup>16</sup> GT Petition for Annual Certification from the Guam Public Utilities Commission Re: Universal Service Funds (47 C.F.R. §54.314), GT Docket 16-01, filed September 16, 2016, at p. 2.

<sup>17</sup> 47 C.F.R. §54.202(a)(1)(ii).

<sup>18</sup> Confidential Submission of Exhibit B to Petition for Annual Certification from the Guam Public Utilities Commission [GT Five Year Network Improvement Plan Progress Report], GT Docket 16-01, filed September 16, 2016.

<sup>19</sup> Id. at pgs. 4-10.

<sup>20</sup> Id. at p. 1.

<sup>21</sup> Id.

<sup>22</sup> Id. at p. 10.

<sup>23</sup> Id.

- (f) Filing of Annual Certification under 47 C.F.R. §54.314(b). As required, GT has certified that all federal high-cost support provided to it in the Territory of Guam will be used only for the provision, maintenance and upgrading of facilities and services for which the support is intended. It will file with the PUC by August 31 of each year, beginning in 2014, an annual certification verifying that high cost support will only be used for those facilities and services for which the support is intended.<sup>24</sup>
- (g) Required Documentation. In accordance with the FCC ETC Designation Order<sup>25</sup> and Order Approving ETC Designation for GT<sup>26</sup>, GT is required to file certain documentation to maintain its ETC Designation Status and to obtain an Order from the PUC approving its annual USAC Certification.
- (1) Five Year Network Plan. As outlined above, GT has demonstrated substantial progress in meeting its 5-year network improvement plan.<sup>27</sup> Once it receives the universal support funds anticipated, it will more likely be able to achieve its goals in the plan.
- (2) Information on any outages. For the period of January 1, 2015, to December 31, 2015, GT does not have any outages to report.<sup>28</sup>
- (3) Unfulfilled Requests for Service. For the period of January 1, 2015 to December 31, 2015, GT did not have any unfulfilled requests for service from potential customers within GT's service area.<sup>29</sup>
- (4) Complaints per 1,000 lines. For the period of January 1, 2015, to December 31, 2015, GT is not aware of any complaints filed with the PUC or any other regulatory body.<sup>30</sup>
- (5) Service Quality Standards and Consumer Protection Rules. GT

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<sup>24</sup> GT Petition for Annual Certification from the Guam Public Utilities Commission Re: Universal Service Funds (47 C.F.R. §54.314), GT Docket 16-01, filed September 16, 2016, at p. 3.

<sup>25</sup> *In the Matter of Federal – State Joint Board on Universal Service*, CC Docket No. 96-45, *Report and Order*, FCC 05-46(Released March 17, 2005).

<sup>26</sup> PUC Order Approving Designation, GT Docket 10-02, filed November 29, 2010.

<sup>27</sup> GT Petition for Annual Certification from the Guam Public Utilities Commission Re: Universal Service Funds (47 C.F.R. §54.314), GT Docket 16-01, filed September 16, 2016, at p. 3; see also Exhibit B.

<sup>28</sup> *Id.* at p. 3.

<sup>29</sup> *Id.*

<sup>30</sup> *Id.* at p. 4.

certifies that it is complying with applicable service quality standards and consumer protection rules.<sup>31</sup>

- (6) Ability to Function in Emergency Situations. GT certifies that it is able to function in emergency situations.<sup>32</sup>
- (7) Certification of Local Usage Plan. GT includes unlimited local usage in its service rate plans and certifies that it is offering a local usage plan comparable to that offered by the incumbent local exchange carrier, GTA Teleguam.<sup>33</sup>
- (8) Equal Access Certification. GT acknowledges and certifies that the PUC may require it to provide equal access to long distance carriers in the event that no other ETC is providing equal access in the service area.<sup>34</sup>

### **RECOMMENDATION**

GT indicates that, during the calendar year 2015, it received \$347,676.00 from USAC's High Cost support program. Based upon the Petition and supporting exhibits submitted by GT, it appears that the USF received in calendar year 2015 has been used as intended. It is Counsel's opinion that there is a sufficient factual and evidentiary basis upon which the Commission can reasonably certify that the USF distributed to GT in calendar year 2017 will be used in accord with the purposes and requirements stated in the Federal Act and Code of Federal Regulations. Counsel recommends that GT's request for USAC certification be GRANTED.

Legal Counsel has not become aware of any contrary evidence which would contradict any of the above certifications by GT. It is Legal Counsel's belief that GT has satisfied all of the requirements set forth in the Code of Federal Regulations, the GT ETC Designation Order, and the FCC's requirements. There is no basis upon which it would be expected that USF support will not be used by GT for the purposes intended.

Therefore, Legal counsel recommends approval of GT's request for USAC certification.

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<sup>31</sup> Id.

<sup>32</sup> Id.

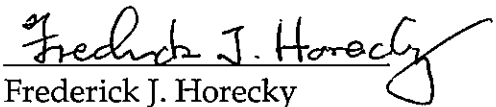
<sup>33</sup> Id.

<sup>34</sup> Id.

PUC Counsel Report  
In the Matter of Guam Telecom, LLC  
USAC Certification  
GT Docket 16-01  
September 18, 2016

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Dated this 18th day of September, 2016.

  
Frederick J. Horecky  
PUC Legal Counsel



**Guam Public Utilities Commission**

**To: Marlene H. Dortch  
Office of the Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554**

**Irene M. Flannery  
Vice-President – High Cost & Low Income Division  
Universal Service Administration Company  
2000 L Street, N.W. Suite 200  
Washington, DC 20036**


**RE: CC Docket 96-45/WC Docket No. 10-90 –Annual State-Certification of  
Support for Eligible Telecommunications Carriers Pursuant to 47 C.F.R.  
§54.314**

Pursuant to the requirements of 47 C.F.R §54.314, the Guam Public Utilities Commission hereby certifies to the Federal Communications Commission and the Universal Service Administrative Company that Teleguam Holdings, LLC, is eligible to receive federal high-cost support for the program years cited.

The Guam Public Utilities Commission certifies for Teleguam Holdings, LLC, that all federal high cost support provided to such carrier within Guam was used in the preceding calendar year (2015) and will be used in the coming calendar year (2017) only for the provisioning, maintenance and upgrading of facilities and services for which the support is intended, consistent with Section 254(e) of the Communications Act.

I am authorized to make this certification on behalf of the Guam Public Utilities Commission. This certification is for study area 663800 for the Territory of Guam.

Dated this 29th day of September, 2016.

  
\_\_\_\_\_  
Jeffrey C. Johnson  
Chairman  
Guam Public Utilities Commission

**ATTACHMENT D**



pursuant to Section 214(e)(6) of the Federal Act.<sup>7</sup> The FCC designated nine core services that are eligible for Universal Service Fund (USF) support: single party service; local usage; voice grade access to the public switched telephone network; dual tone multifrequency signaling; access to emergency services; access to operator services; access to interexchange services, access to directory assistance; and toll limitation service for qualifying low-income consumers.<sup>8</sup>

### COMPLIANCE WITH FCC AND ETC DESIGNATION ORDER REQUIREMENTS

In its Petition, GTA certifies that, in accordance with 47 C.F.R. §54.101, GTA provides all of the core services that are designated for USF support. It offered all of the services designated by the FCC for support pursuant to Section 254 (c) of the Federal Act during calendar year 2015 and to date in 2016.<sup>9</sup> It provides those services as part of its basic residential and business local line service under its General Exchange Tariff approved by the PUC.<sup>10</sup> Through GTA's tariff, its customers are able to purchase single party, unlimited local usage telephone services that utilize dual tone multifrequency signaling. In addition, GTA provides access to 911 as well as access to operator services, directory assistance and access to interexchange services. It provides toll limitation for domestic and international toll calls.<sup>11</sup>

GTA has submitted information to demonstrate that it is in compliance with the FCC requirements of the ETC Designation Order:

1. Progress report on the ETC's five-year Service Quality Improvement Plan. The Federal Communications Commission requires ETCs to submit a five-year build-out plan in a manner consistent with Section 54.202(a)(1)(c) of the Commission's Rules by July 1, 2014 and to submit annual progress reports thereafter.<sup>12</sup> Section 54.202(a)(1)(ii) requires the ETCs to submit a

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<sup>7</sup> *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, FCC 05-46 (released March 17, 2005) (the "ETC Designation Order").

<sup>8</sup> *Id.*

<sup>9</sup> GTA Petition, *supra*, at p. 3.

<sup>10</sup> GTA Petition, *supra*, at p. 2.

<sup>11</sup> *Id.*

<sup>12</sup> See *Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform – Mobility Fund*; WC Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-61 (rel. Nov. 18, 2011) (*USF/ICC Transformation Order*) at Para. 587; *Connect America Fund et al.*, WC Docket 10-90 *et al.*, Order, DA 13-332 (rel. Mar. 5, 2013) ("*March 5, 2013 Order*") at Para's. 4, 6-9. Delaying Five Year Plan until July 1, 2014 see WC Docket No. 10-90, Order, DA 13-1115, Para 8 (released May 16, 2013).

five-year plan that describes with specificity proposed improvements or upgrades to the ETC's network throughout its proposed service area, including an estimate of the area and population that will be served as a result of the improvements.<sup>13</sup>

In particular, the FCC March 5, 2013 Order specified that, for rate-of-return carriers [i.e. "GTA"], the five-year plans "should describe the carrier's network improvement plan, which should provide greater visibility into current plans to extend broadband service to unserved locations in rate-of-return service territories."<sup>14</sup> The FCC has indicated that a key component of the certification issued by entities such as the Guam PUC under Section 254(e) is whether USF support is being used to maintain and extend modern networks capable of providing voice and broadband service.<sup>15</sup>

The FCC's five-year plan requirements require the ETC to describe with "specificity" the proposed improvements or upgrades to the ETC's network throughout its service area: (1) how signal quality, coverage, or capacity will improve due to the receipt of high-cost support throughout the area for which the ETC seeks designation; (2) the projected start date and completion date for each improvement and the estimated amount of investment for each project that is funded by high-cost support; (3) the specific geographic areas where the improvements will be made; and (4) the estimated population that will be served as a result of the improvements.<sup>16</sup>

GTA has submitted its Five-Year Service Quality Improvement Plan as an Attachment to its Petition.<sup>17</sup> The Plan, and Exhibits A and B thereto, actually set forth GTA's major network improvement projects for the six calendar years 2015 through 2020, along with the start and completion dates, capital costs, and areas and populations associated with those projects.<sup>18</sup>

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<sup>13</sup> 47 C.F.R. §54.202(a)(1)(ii).

<sup>14</sup> March 5, 2013 Order at Par. 9 *citing* Section 54.202(a)(1)(ii).

<sup>15</sup> USF/ICC Transformation Order at Par. 612.

<sup>16</sup> *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, FCC 05-46 (rel. Mar. 17, 2005) ("2005 ETC Order").

<sup>17</sup> GTA Five-Year Service Quality Improvement Plan, GTA Docket 16-04, filed September 14, 2016 [attached to GTA Petition].

<sup>18</sup> *Id.* at Exhibit A--Five Year Build Out Plan.

GTA asserts that its use of funds for these projects will enhance its network and invest in new technology.<sup>19</sup> Numerous projects are listed including: additional DSLAM Construction; installation of VDSL; upgrade of the fiber core network; Copper Remediation and Update; Fiber Remediation & Capacity Upgrade; wire line integration; capacity enhancement; and ongoing cable maintenance and upgrades.<sup>20</sup> GTA has also indicated a breakdown of the estimated capital expenditures associated with the projects and operating expenses.<sup>21</sup>

Submitted with its Five-Year Build-Out Plan are certifications by Telequam Holdings LLC that it complies with applicable service quality standards and Consumer Protection Rules, and that it is able to function in emergency situations.<sup>22</sup>

2. Detailed information on any outage lasting at least 30 minutes. GTA had zero outages that affected the landline and wireless service.<sup>23</sup>
3. The number of requests for service from potential customers that were unfulfilled for the past year. There were no requests for service from potential customers that were unfulfilled for the past year.<sup>24</sup>
4. The number of complaints per 1,000 handsets or lines. During calendar year 2015 and to date 2016, GTA was not aware of any end user complaints filed with the PUC or any other regulatory body.<sup>25</sup>
5. Certification that the ETC is complying with applicable service quality standards. GTA certifies that it adheres to all applicable PUC service quality standards.<sup>26</sup>
6. Certification that ETC is able to function in emergency situations. GTA certifies that it has the ability to remain functional in emergency situations. Through the use of its backup electricity generators, buried copper and fiber plant, and backup battery power at its central offices,

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<sup>19</sup> Id. at pgs. 4-5.

<sup>20</sup> Id. at Exhibit A, Appendix A--Five Year Build Out Plan.

<sup>21</sup> Id. at Exhibit A, Appendix B--Five Year Build Out Plan.

<sup>22</sup> Id. at Five-Year Build-Out Plan, pgs. 5-8.

<sup>23</sup> GTA Petition, supra, at p. 3.

<sup>24</sup> Id.

<sup>25</sup> GTA Petition, supra, at p. 3.

<sup>26</sup> Id.

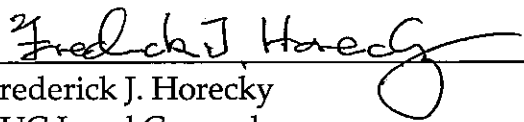
GTA has the necessary infrastructure and equipment to remain functional in situations that include fires, earthquakes or typhoons.<sup>27</sup>

7. Certification that the ETC is offering a local usage plan that is comparable to the incumbent LEC. GTA is the incumbent LEC and offers an unlimited local usage plan to its subscribers.<sup>28</sup>
8. Certification that the carrier acknowledges that the Commission may require it to provide equal access. GTA currently offers equal access to all of its subscribers and therefore is in compliance with this requirement.<sup>29</sup>

GTA has also provided the required certification that it has advertised the availability of the supported services and charges through advertising, internet, and general media distribution.<sup>30</sup>

GTA indicates that, for calendar year 2015, it received \$6,561,408.00 in USF.<sup>31</sup> For the 2016 calendar year to date, GTA received a total of \$4,002,690.00 in high cost universal service support.<sup>32</sup> GTA has also submitted audited financial data for 2015 as an attachment to its Petition to demonstrate that all funds are being used to support core services.<sup>33</sup> Based upon the Petition and supporting exhibits submitted by GTA, it appears that the USF received in calendar year 2015 has been used as intended. Counsel is not aware of any evidence which contradicts the above certifications by GTA and believes that such certifications should be accepted. It is Legal Counsel's recommendation that GTA's request for USAC Certification be granted. The Commission may reasonably certify that future USF received by GTA will be appropriately used. A draft letter to the FCC approving Teleguam Holdings LLC "Use" certification is submitted herewith.

Dated this 16th day of September, 2016.

  
Frederick J. Horecky  
PUC Legal Counsel

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<sup>27</sup> Id. at p. 3.

<sup>28</sup> Id.

<sup>29</sup> Id.

<sup>30</sup> Id. at p. 4.

<sup>31</sup> GTA Petition, supra, at p. 4.

<sup>32</sup> Id.

<sup>33</sup> Consolidated Financial Statements, attached Exhibit B to GTA Petition.

**Guam Public Utilities Commission**

**To: Marlene H. Dortch  
Office of the Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554**

**Irene M. Flannery  
Vice-President – High Cost & Low Income Division  
Universal Service Administration Company  
2000 L Street, N.W. Suite 200  
Washington, DC 20036**

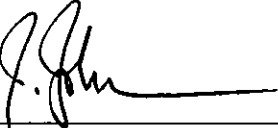
**RE: CC Docket 96-45/WC Docket No. 10-90 – Annual State-Certification of  
Support for Eligible Telecommunications Carriers Pursuant to 47 C.F.R.  
§54.314**

Pursuant to the requirements of 47 C.F.R §54.314, the Guam Public Utilities Commission hereby certifies to the Federal Communications Commission and the Universal Service Administrative Company that Teleguam Holdings, LLC, f/k/a Pulse Mobile, LLC, is eligible to receive federal high-cost support for the program years cited.

The Guam Public Utilities Commission certifies for Teleguam Holdings, LLC, f/k/a Pulse Mobile, LLC, that all federal high cost support provided to such carrier within Guam was used in the preceding calendar year (2015) and will be used in the coming calendar year (2017) only for the provisioning, maintenance and upgrading of facilities and services for which the support is intended, consistent with Section 254(e) of the Communications Act.

I am authorized to make this certification on behalf of the Guam Public Utilities Commission. This certification is for study area 669003 for the Territory of Guam.

Dated this 29th day of September, 2016.

  
\_\_\_\_\_  
Jeffrey C. Johnson  
Chairman  
Guam Public Utilities Commission

**ATTACHMENT E**

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



In the Matter of	)	GTA Docket 16-05
Teleguam Holdings, LLC (f/k/a Pulse	)	
Mobile) USAC CERTIFICATION	)	PUC COUNSEL REPORT
	)	
	)	

BACKGROUND

On September 14, 2016, Teleguam Holdings LLC, f/k/a Pulse Mobile, filed its 2016 Annual USAC filing. Pulse Mobile is now a division within Teleguam Holdings LLC.<sup>1</sup> Although Teleguam Holdings LLC is the technical holder of the ETC designation, it operates as a CMRS carrier under the name of Pulse Mobile. Thus, "Pulse Mobile", as used herein, will interchangeably refer to Teleguam Holdings.

Pulse Mobile has petitioned the PUC to issue a Certification that Pulse Mobile will use federal universal service support funds for purposes in compliance with Section 254(e) of the Communications Act.<sup>2</sup> It receives monies from interstate universal service funds ["USF"] that are designated to support local services, build needed infrastructure and improve service quality.

Each year the PUC is required to certify to the FCC and the Universal Service Administrative Company (USAC) that those universal service funds will be used only for the purposes designated in the Federal Act. Absent such a Certification by PUC, Teleguam Holdings LLC would be denied funds for each quarter of the year that certification is delayed.<sup>3</sup> Pulse receives monies from interstate universal service funds (USF) that are designated to accomplish the purposes set forth in Section 254(e) of the Communications Act.

On February 1, 2007, the PUC granted Pulse Mobile LLC's Petition for designation as an ETC.<sup>4</sup> By virtue of PUC Order in GTA Docket 11-14 issued on May 25, 2012, Pulse Mobile's ETC Designation was transferred to Teleguam Holdings LLC.<sup>5</sup> ETCs are service providers eligible to receive federal support for local services from Universal Service Funds. In accordance with such Order, Teleguam Holdings LLC annual designation as an ETC, d/b/a Pulse Mobile, is subject to its provision of annual certifications and data submissions to the PUC. The PUC requires such information so

<sup>1</sup> Teleguam Holdings LLC ["Pulse Mobile"] Petition for Annual USAC Certification, GTA Docket 16-05, filed September 14, 2016.

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

<sup>3</sup> Pulse Mobile Petition for Annual USAC Certification, Docket No. 12-08, filed September 12, 2012.

<sup>4</sup> Application of Pulse Mobile, LLC for Designation as an Eligible Telecommunications Carrier (Order Approving Designation, Docket No. 06-8, issued February 1, 2007).

<sup>5</sup> PUC Order, GTA Docket 11-14, dated May 25, 2012.



that it can ensure that funds received by Pulse will be expended in accord with the requirements of the Communications Act.

## RECENT DEVELOPMENTS

In support of its certification, Pulse indicates that it has continued to make capital improvements to its wireless networks on Guam, including the GSM, 3G and LTE Networks.<sup>6</sup> Pulse has continued to enhance its service and network, and to build out various aspects of its wireless network over the past year.<sup>7</sup> GTA has also submitted a Coverage map, which indicates the reach of its wireless networks throughout Guam.<sup>8</sup>

During 2016, Pulse continued its LTE Site Coverage Expansion and 3G Network Core Upgrades and Coverage Improvement. It also upgraded its 3G switch.<sup>9</sup> In 2017 it intends to undertake IP Core Upgrade, IMS Core Implementation, Voice over Wifi, wireless Backhaul Upgrade, and continued 3G and LTE Coverage Expansion.<sup>10</sup>

## REQUIREMENTS

The Pulse ETC Designation Order contains the following requirements:

- (a) Pulse Mobile must comply with any local usage requirements prescribed by the FCC;
- (b) Pulse Mobile must comply with any FCC requirements concerning E911 service when implemented in the Territory of Guam;
- (c) Pulse Mobile must certify to the Commission on or before August 31 of each year, that Pulse Mobile (i) offers all of the services designated by the FCC for support pursuant to Section 254(c) of the Federal Act either using its own facilities or a combination of its own facilities and resale and (ii) advertises the availability of supported services and the charges there for using media of

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<sup>6</sup> Exhibit A to Pulse's Petition, Pulse Mobile's Five Year Network Improvement Plan, Appendix A & B [Progress Report on Five-Year Plan] updated as of September 2016.

<sup>7</sup> Id.

<sup>8</sup> Exhibit A to Pulse's Petition, Pulse Mobile's Five Year Network Improvement Plan updated as of September 2016 [Pulse Mobile Percentage of Guam Coverage by Village – Information provided as of September 2016].

<sup>9</sup> Exhibit A to Pulse's Petition, Pulse Mobile's Five Year Network Improvement Plan, Appendix A & B [Progress Report on Five-Year Plan] updated as of September 2016.

<sup>10</sup> Exhibit A to Pulse's Petition, Pulse Mobile's Five Year Network Improvement Plan, updated as of September 2016.

general distribution as described in its petition;

- (d) Pulse Mobile must notify the Commission within thirty (30) days of any determination that it cannot provide service to a requesting customer in accordance with the FCC's requirements;
- (e) Pulse Mobile must file a detailed build-out plan satisfying the FCC's requirements;
- (f) Pulse Mobile will file with the Commission as part of its annual submission of certification and documentation by August 31 of each year, an annual certification in substantially the form required by Section 54.314(b) and 54.314(c) of the FCC's Rules to verify that Pulse will use federal high-cost support only for those facilities and services for which the support is intended;
- (g) Pulse Mobile must submit to the Commission on or before August 31 of each year the following documentation: (i) Pulse Mobile's progress towards meeting its build-out plans; (ii) information on any outage lasting at least 30 minutes and potentially affecting either at least 10 percent of the end users served or 911 facilities; (iii) the number of requests for service from potential customers within Pulse Mobile's service area that were unfulfilled for the past year; (iv) the number of complaints per 1,000 handsets; (v) Pulse Mobile's compliance with the CTIA Consumer Code; (vi) Pulse Mobile's certification that it is able to function in emergency situations; (vii) Pulse Mobile's certification that it is offering a local usage plan comparable to that offered by the incumbent local exchange carrier; and (viii) Pulse Mobile's certification that it acknowledges that the Commission may require it to provide equal access to long distance carriers in the event that no other ETC is providing equal access in the service area;
- (h) Pulse Mobile must promptly submit to the Commission any additional information or reports that the Commission may reasonably request from time to time.

## COMPLIANCE WITH REQUIREMENTS

### (a) *FCC Local usage requirements-*

The FCC has designated nine core services that are eligible for Universal Service Fund (USF) support: single party service; local usage; voice grade access to the public switched telephone network; dual tone multifrequency signaling; access to emergency services; access to operator services; access to interexchange services; access to directory assistance; and toll limitation service for qualifying low-income consumers.<sup>11</sup> In its Petition, Pulse states that, in accordance with 47 C.F.R. §54.101, it provides all of the core services that are designated for support for USF throughout its licensed service territory.<sup>12</sup>

### (b) *E911 Service-*

Pulse indicates that it currently offers its customers access to operators throughout Guam to provide the requested services.<sup>13</sup> Pulse certifies that it continues to support 911 services and supports E911 services including providing the automatic numbering information throughout the territory of Guam.<sup>14</sup> In accordance with the ORDER APPROVING DESIGNATION, Pulse is required, to the extent that a governmental authority in Guam implements E911 systems, to provide E911 service. Pulse's designation as an ETC is also conditioned on its compliance with any FCC requirements concerning E911 service when implemented in Guam.<sup>15</sup>

### (c) *Certification of services -*

In compliance with Pulse's ETC Designation Order, and FCC 05-46, it certifies to the PUC that it offers all of the services designated by the FCC for support pursuant to Section 254(c) of the Federal Act by using its own facilities and advertising the availability of supported services and charges using media distribution available on Guam.<sup>16</sup> Pulse also advertises its services on its website and through direct mail. It

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<sup>11</sup> 47 U.S.C. §214(e).

<sup>12</sup> Pulse Petition for Annual USAC Certification, p. 2-3.

<sup>13</sup> Id at p. 3.

<sup>14</sup> Id.

<sup>15</sup> ORDER APPROVING DESIGNATION, Docket No. 06-8, p. 3.

<sup>16</sup> Pulse Petition for Annual USAC Certification, supra, at p. 3.

provides advertising and education of lifeline services through its website to eligible low income subscribers and has advertised such services through flyers distributed through various government agencies, and publication in newspapers of general circulation.<sup>17</sup>

*(d) Notification of inability to provide service -*

Pulse Mobile certified that it “has been able to fulfill services to all requesting customers in accordance with FCC requirements.”<sup>18</sup>

*(e) Filing of detailed build-out plan-*

Pulse Mobile filed its detailed five year build-out plan, under confidentiality, as an attachment to its Petition.<sup>19</sup> The projects described in the plan support the provision of the core services for which service was intended.

*(f) Filing of annual certification under Section 54.314(b)-*

Pulse, through its Chief Executive Officer, has certified that all Federal High-Cost support provided to it will be used only for the provision, maintenance and upgrading of facilities and services for which support is intended.<sup>20</sup>

*(g) Filing Documentation-*

(i) Pulse’s progress toward meeting its build-out plans – Pulse’s five year plan indicates that it has made substantial improvements to its GSM, 3G, and 4G LTE wireless networks and plans to continue to make such improvements over the next few years.<sup>21</sup>

(ii) Information on any outages – Pulse had zero outages that affected wireless service.<sup>22</sup>

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<sup>17</sup> Id. at pgs. 3 and 9.

<sup>18</sup> Id at p. 4.

<sup>19</sup> Id. at p. 3; Exhibit A to Pulse’s Petition, Pulse Mobile’s Five Year Network Improvement Plan, updated as of September 2016.

<sup>20</sup> GTA [“Pulse Mobile”] submitted its Certification pursuant to 47 C.F.R. §54.314(b) on September 19, 2016.

<sup>21</sup> Exhibit A to Pulse Petition, Pulse Mobile Five Year Network Improvement Plan, updated as of September 2016.

<sup>22</sup> Pulse Petition for Annual USAC Certification, at p. 4.

(iii) Unfulfilled requests for service – Pulse indicates that, to date, it has been able to fulfill services to all requesting customers in accordance with FCC requirements.<sup>23</sup>

(iv) Complaints per 1,000 handsets – During calendar year 2015, Pulse received three end user informal complaints from the FCC. GTA responded to these complaints and GTA received no further comment from the FCC. To date in calendar year 2016, GTA has received one end user informal complaint from the FCC. GTA responded to the FCC on the informal complaint and has not received further comment from the FCC.<sup>24</sup>

(v) Compliance with CTIA Consumer Code – Pulse certifies that it is in compliance with the CTIA Consumer Code and all applicable service quality standards within the reporting period.<sup>25</sup> These include: disclosure of rates and terms of service to consumers; making maps available showing where service is generally available; providing contract terms to customers and confirming changes in services; allowing a trial period for new service; providing specific disclosures in advertising; separately identifying carrier charges from taxes on billing statements; providing customers the right to terminate service for changes in contract terms; providing ready access to customer service, promptly responding to consumer inquiries and complaints received from government agencies; abiding by policies for protection of customer privacy; and providing consumers with free notifications for voice, data and message usage and international roaming.<sup>26</sup>

(vi) Ability to function in emergency situations – Pulse has certified that it has the ability to remain functional in emergency situations without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations as required. It can change call routing translations as needed to reroute traffic around damaged facilities.<sup>27</sup>

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<sup>23</sup> Id.

<sup>24</sup> Id.

<sup>25</sup> Pulse Petition for Annual USAC Certification, at pgs. 4-8.

<sup>26</sup> Id. at pgs. 4-8.

<sup>27</sup> Id. at pg. 8.

(vii) Certification of local usage plan – Pulse offers a comparable local usage plan that offers unlimited minutes for local calling.<sup>28</sup>

(viii) Equal access certification – Pulse acknowledges that it currently is not required to offer equal access to long distance carriers but acknowledges that it may be required to do so in the event that no other ETC is providing equal access in service area.<sup>29</sup>

(h) *Prompt submission of information or reports-*

Pulse must promptly submit to the Commission any additional information or reports that the Commission may reasonably request from time to time. Pulse has been responsive in providing any additional information requested by Legal Counsel. Legal Counsel has not become aware of any contrary evidence which would contradict the above certifications by Pulse.

### RECOMMENDATION

Pulse indicates that, for calendar year 2015, it received \$1,183,224.00 in USF.<sup>30</sup> To date in 2016, it has received \$591,612.00.<sup>31</sup> It is Legal Counsel's belief that Pulse has satisfied all of the criteria set forth in the Pulse ETC Designation Order and the FCC's requirements. Pulse Mobile's Five Year Plan has demonstrated a commitment to further build-out and upgrade its wireless local networks.

Based upon the certifications and documentation provided by Pulse in its Petition for Annual USAC Certification, it is Counsel's opinion that there is a sufficient factual and evidentiary basis upon which the Commission can reasonably certify that the USF distributed to Pulse in calendar year 2017 will be used in accordance with the purposes and requirements designated in the Federal Act. Counsel recommends that Pulse's Petition for USAC certification be GRANTED. A draft Certification to the FCC is submitted herewith.

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<sup>28</sup> Id. at p. 8.

<sup>29</sup> Id. at pg. 9.

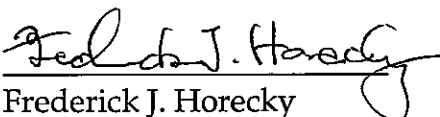
<sup>30</sup> Id.

<sup>31</sup> Id.

Teleguam Holdings LLC  
(Pulse Mobile)  
USAC Certification  
GTA Docket 16-05  
PUC COUNSEL REPORT  
September 17, 2016

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Dated this 17th day of September, 2016.

  
Frederick J. Horecky  
PUC Legal Counsel

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

)  
) GPA Docket 16-13  
)

The Application of the Guam Power  
Authority to Approve the FY2017 GPA  
CIP Ceiling Cap  
\_\_\_\_\_)

) ORDER  
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**INTRODUCTION**

This matter comes before the Guam Public Utilities Commission [PUC] upon GPA's Petition for Request for Approval of FY2017 GPA CIP Ceiling Cap.<sup>1</sup> Therein, GPA requests the PUC approval of its FY2017 Capital Improvement Project Cap in the amount of \$18,798,120, which consists of General Plant (\$18,798,120) and Engineering (\$0).<sup>2</sup> The Guam Consolidated Commission on Utilities [CCU] approved the FY2017 Capital Improvement Project Ceiling Cap.<sup>3</sup>

**BACKGROUND**

The Background of this matter is fully addressed in the PUC Counsel Report dated September 23, 2016. The Commission adopts the Counsel Report and the recommendations set forth therein.

**DETERMINATIONS**

This year's requested cap includes a few extraordinary items: (1) Cabras 1 & 2 Overhaul, \$5,190,000; (2) Ten Diesel Plant Unit Overhauls, \$2,593,300; and (3) Dededo Combustion Turbine Repairs; \$2,907,200.<sup>4</sup> Past Cabras overhauls have generally been funded through bonds. The Dededo CT repairs are being partially funded through bond funds, but the expenditure included in the cap is the revenue funded portion.<sup>5</sup>

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<sup>1</sup> GPA Petition for Contract Review (Application to Approve the FY2017 GPA CIP Ceiling Budget), GPA Docket 16-13, filed September 14, 2016.

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

<sup>3</sup> Guam Consolidated Commission on Utilities (CCU) Resolution No. 2016-46, Relative to the Adoption of a Budget for the Guam Power Authority for Fiscal Year 2017, adopted August 23, 2016.

<sup>4</sup> Attachment 1 to GPA Petition.

<sup>5</sup> Id. at p. 3.



If these extraordinary expenditures were not required for inclusion in this year's cap, the total cap would be in the range of \$8M. Without the extraordinary expenses, the CIP Cap proposed for FY2017 is generally consistent, in terms of dollar amount, with the CIP Cap levels of prior years. The prior year cap levels were as follows:

FY2016 Cap: \$12,067,780  
FY2015 Cap: \$9,974,000  
FY2014 Cap: \$7,363,110.  
FY2013 Cap: \$10,135,760.  
FY2012 Cap: \$13.581M.  
FY2011 Cap: \$5M.<sup>6</sup>  
FY2010 Cap: \$16,390,707.<sup>7</sup>

Even with the extraordinary expenses, the cap for FY2017 is within \$2M plus of the FY2010 cap. The expenditures listed appear to be reasonable; purchase of the items indicated could reasonably be expected to lead to the maintenance and upgrading of GPA operations.

GPA will need to seek approval under the Contract Review Protocol for procurement of those items included within the CIP cap which exceed the \$1.5M threshold. The extraordinary plant overhaul/repair items will need to go through the Contract Review process in order to obtain PUC approval. Certain expenditures for the Dededo Combustion Turbines have already been approved.<sup>8</sup> Furthermore, GPA has already requested that the Consolidated Commission approve the Cabras 1 & 2 Overhaul and the Ten Diesel Plant Unit Overhauls, and forward the same to PUC for approval under the Contract Review Protocol.<sup>9</sup>

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<sup>6</sup> PUC Order, GPA Docket 13-16, dated October 29, 2013, at pgs. 1-2.

<sup>7</sup> PUC Order, GPA Docket 10-05, dated October 29, 2010, at pg. 1.

<sup>8</sup> PUC Order, GPA Docket 15-22, Application of the Guam Power Authority for Approval of an Award of a Performance Management Contract (PMC) for the Combustion Turbine Power Plants, dated January 25, 2016.

<sup>9</sup> Materials for GPA Work Session on September 22, 2016, Proposed Resolution 2016-49, Relative to Seeking PUC Approval for the Cabras 1 Overhaul; Proposed Resolution 2016-50, Relative to Approving Material Procurement for Cabras 1 Overhaul; and Proposed Resolution 2016-51, Relative to Seeking PUC Approval for the Diesel Overhaul.

### **ORDERING PROVISIONS**

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

1. The GPA FY2017 internally funded CIP ceiling cap, which consists of General Plant, is approved in the amount of \$18,798,120.
2. The General Plant budget is consistent with prior budgets and appears reasonable; no prudence concerns are noted.
3. GPA shall file a complete reconciliation of the FY2017 expenditures on or before December 15, 2016, as required by the Contract Review Protocol.
4. Before GPA expends amounts for the three major plant overhauls included in the CIP cap, GPA must obtain prior approval from the PUC for such expenditures.
5. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Order  
The Request of GPA to  
Approve FY2017 CIP Ceiling Cap  
GPA Docket 16-13  
September 29, 2016

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Dated this 29th day of September, 2016.



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Jeffrey C. Johnson  
Chairman

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Rowena E. Perez  
Commissioner



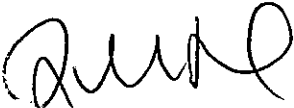
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Joseph M. McDonald  
Commissioner



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Michael A. Pangelinan  
Commissioner



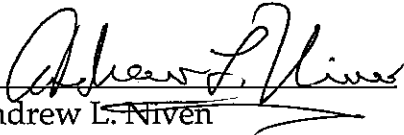
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Peter Montinola  
Commissioner



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Filomena M. Cantoria  
Commissioner



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Andrew L. Niven  
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

)  
) GPA Docket 16-13  
)

The Application of the Guam Power  
Authority to Approve the FY2017 GPA  
CIP Ceiling Cap  
\_\_\_\_\_ )  
)

) PUC COUNSEL REPORT  
)  
)

**INTRODUCTION**

This matter comes before the Guam Public Utilities Commission [PUC] upon GPA's Petition for Request for Approval of FY2017 GPA CIP Ceiling Cap.<sup>1</sup> Therein, GPA requests the PUC approval of its FY2017 Capital Improvement Project Cap in the amount of \$18,798,120, which consists of General Plant (\$18,798,120) and Engineering (\$0).<sup>2</sup> The Guam Consolidated Commission on Utilities [CCU] approved the FY2017 Capital Improvement Project Ceiling Cap.<sup>3</sup>

**BACKGROUND**

The Contract Review Protocol for the Guam Power Authority requires that GPA's annual level ("cap") of internally funded Capital Improvement Projects ("CIP") be set by the PUC before November 15<sup>th</sup> of each fiscal year.<sup>4</sup>

The CIPs included within the Cap are for "general plant." The expenditures are for items including computers, software programs, office equipment, plant improvements and other miscellaneous items.<sup>5</sup> GPA has listed all of the items, as well as approved cost of each, in Attachment 1 to the Petition.

The Contract Review Protocol does not require that GPA provide justifications for the items listed under General Plant.<sup>6</sup> Other than the large plant upgrades, many of the

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<sup>1</sup> GPA Petition for Contract Review (Application to Approve the FY2017 GPA CIP Ceiling Budget), GPA Docket 16-13, filed September 14, 2016.

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

<sup>3</sup> Guam Consolidated Commission on Utilities (CCU) Resolution No. 2016-46, Relative to the Adoption of a Budget for the Guam Power Authority for Fiscal Year 2017, adopted August 23, 2016.

<sup>4</sup> §1.F of the Contract Review Protocol, at p. 2.

<sup>5</sup> GPA Petition for Contract Review (Application to Approve the FY2017 GPA CIP Ceiling Budget), GPA Docket 16-13, filed September 14, 2016, Attachment 1.

<sup>6</sup> Id.

items involve computer hardware and software upgrades for the various divisions within GPA. There are a number of items relating to plant and substation renovations and upgrades.<sup>7</sup>

GPA indicates that what GPA has provided is a General Plant (CIP) Approved Budget; it has been the case that GPA does not always expend all amounts indicated in the budget for the stated items.<sup>8</sup>

### ANALYSIS

This year's requested cap includes a few extraordinary items: (1) Cabras 1 & 2 Overhaul, \$5,190,000; (2) Ten Diesel Plant Unit Overhauls, \$2,593,300; and (3) Dededo Combustion Turbine Repairs; \$2,907,200.<sup>9</sup> Past Cabras overhauls have generally been funded through bonds. The Dededo CT repairs are being partially funded through bond funds, but the expenditure included in the cap is the revenue funded portion.<sup>10</sup>

Thus, if these extraordinary expenditures were not required for inclusion in this year's cap, the total cap would be more in the range of \$8M. Without the extraordinary expenses, the CIP Cap proposed for FY2017 is generally consistent, in terms of dollar amount, with the CIP Cap levels of prior years. The prior year cap levels were as follows:

FY2016 Cap: \$12,067,780  
FY2015 Cap: \$9,974,000  
FY2014 Cap: \$7,363,110.  
FY2013 Cap: \$10,135,760.  
FY2012 Cap: \$13.581M.  
FY2011 Cap: \$5M.<sup>11</sup>  
FY2010 Cap: \$16,390,707.<sup>12</sup>

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<sup>7</sup> Id.

<sup>8</sup> Meeting between PUC Counsel, GPA Counsel, and Acting Chief Financial Officer , GPA Docket 16-13, September 22, 2016.

<sup>9</sup> Attachment 1 to GPA Petition.

<sup>10</sup> Id. at p. 3.

<sup>11</sup> PUC Order, GPA Docket 13-16, dated October 29, 2013, at pgs. 1-2.

<sup>12</sup> PUC Order, GPA Docket 10-05, dated October 29, 2010, at pg. 1.

Even with the extraordinary expenses, the cap for FY2017 is within \$2M plus of the FY2010 cap. The expenditures listed appear to be reasonable; purchase of the items indicated could reasonably be expected to lead to the maintenance and upgrading of GPA operations.

GPA will need to seek approval under the Contract Review Protocol for procurement of those items included within the CIP cap which exceed the \$1.5M threshold. The extraordinary plant overhaul/repair items will need to go through the Contract Review process in order to obtain PUC approval. Certain expenditures for the Dededo Combustion Turbines have already been approved.<sup>13</sup> Furthermore, GPA has already requested that the Consolidated Commission approve the Cabras 1 & 2 Overhaul and the Ten Diesel Plant Unit Overhauls, and forward the same to PUC for approval under the Contract Review Protocol.<sup>14</sup>

### **RECOMMENDATION**

Based upon the recognition that the FY2017 general plant budget is consistent with that of prior fiscal years; subject to GPA's ability to carry out the capital improvement projects using internally-funded dollars, Counsel recommends that the PUC approve the \$18,798,120 Ceiling Cap.

GPA's FY2017 Internally funded CIP ceiling cap, consisting of general plant in the amount of \$18,798,120, should be approved. Such CIP cap is reasonable, prudent and in the interest of the ratepayers.

However, prior to expending amounts for the plant overalls which exceed \$1.5M, GPA must seek approval for such items under the Contract Review Protocol.

A Proposed Order is submitted herewith for the consideration of the Commissioners.

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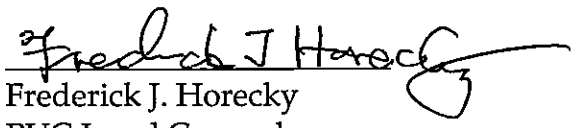
<sup>13</sup> PUC Order, GPA Docket 15-22, Application of the Guam Power Authority for Approval of an Award of a Performance Management Contract (PMC) for the Combustion Turbine Power Plants, dated January 25, 2016.

<sup>14</sup> Materials for GPA Work Session on September 22, 2016, Proposed Resolution 2016-49, Relative to Seeking PUC Approval for the Cabras 1 Overhaul; Proposed Resolution 2016-50, Relative to Approving Material Procurement for Cabras 1 Overhaul; and Proposed Resolution 2016-51, Relative to Seeking PUC Approval for the Diesel Overhaul.

PUC Counsel Report  
The Request of GPA to  
Approve FY2017 CIP Ceiling Cap  
GPA Docket 16-13  
September 23, 2016

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Dated this 23rd day of September, 2016.

  
Frederick J. Horecky  
PUC Legal Counsel

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

)  
) GPA DOCKET 16-14  
)

THE PETITION OF THE GUAM  
POWER AUTHORITY FOR APPROVAL )  
OF INSURANCE INVITATION FOR )  
BID )  
\_\_\_\_\_ )

ORDER

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Guam Power Authority ["GPA"] Petition for Approval of Insurance Invitation for Bids.<sup>1</sup>
2. GPA seeks to obtain Property Insurance for the policy period beginning November 1, 2016. The current GPA Property Insurance Policy will expire on November 1, 2016.<sup>2</sup> The policy contains two one-year options for renewal.

BACKGROUND

3. GPA's Bond Indenture Agreement requires GPA to "secure and maintain property insurance on all facilities constituting the system against risks of loss or damage to the extent that such insurance is obtainable at reasonable cost...". The Indenture further requires GPA to carry insurance "of a scope and nature as that usually carried in the industry...".<sup>3</sup>
4. The insurance coverages for which GPA seeks to issue an IFB are: Property and Boiler & Machinery, Earthquake, Flood, Typhoon and Tsunami, Terrorism, All Risk, Business Income, and Extra Expense.<sup>4</sup>
5. On May 28, 2013, the PUC approved GPA's last property insurance procurement.<sup>5</sup> The insurance coverage proposed was for a three-year term plus two (2) One (1) year options to extend upon the mutual agreement of the parties.<sup>6</sup>

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<sup>1</sup> GPA Petition for Approval for Insurance Invitation for Bids, GPA Docket 16-14, filed September 8, 2016.

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

<sup>3</sup> Guam Consolidated Commission on Utilities Resolution No. 2016-30, issued May 24, 2016.

<sup>4</sup> Attachment to the Petition of the Guam Power Authority for Approval of Insurance Invitation for Bids, GPA Docket 16-14, filed on September 8, 2016.

<sup>5</sup> PUC Order, Docket 13-04, GPA Petition for Approval of Insurance IFB, dated May 28, 2013.

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



6. On October 29, 2013, the PUC approved GPA's contract for Property Insurance with AM Insurance for the period of November 1, 2013 through November 1, 2016.<sup>7</sup>
7. As its current Property Insurance Policy will expire on November 1, 2016, GPA now seeks to obtain property insurance for the policy period beginning November 1, 2016.
8. On May 24, 2016, the Consolidated Commission on Utilities adopted Resolution No. 2016-30, which approves the GPA draft Invitation for Bids for Property Insurance to include Boiler and Machinery and Terrorism coverage. It determined that GPA was required to rebid its property insurance policies under Guam Procurement Regulations.<sup>8</sup>
9. Along with its Petition, GPA has also submitted the format for its proposed Invitation for Bids for Property Insurance.

#### **DETERMINATIONS**

10. The CCU approved the Property Insurance IFB on May 24, 2016; however, GPA's Petition for Insurance IFB was not submitted to PUC until September 8, 2016.
11. PUC Counsel sent GPA a letter regarding this Docket on September 16, 2016, a copy of which is attached to the PUC Counsel Report as Exhibit "A". To date, no response has been received to Counsel's letter.
12. On the same day that GPA sent the Petition to PUC for approval of the Insurance IFB, it publicly announced a Multi-Step Insurance Brokerage Services and Casualty Insurance Bid with 74 pages of documentation.<sup>9</sup> A copy of the Procurement Notice is attached to the PUC Counsel Report as Exhibit "B".
13. On the same day that GPA filed its request that the PUC approve its IFB for Insurance Services, GPA had already announced the IFB to the public and was requesting bids on the IFB.

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<sup>7</sup> PUC Order, GPA Docket 13-04, GPA Petition for Approval of Insurance Contract with AM Insurance, dated October 29, 2013.

<sup>8</sup> Guam Consolidated Commission on Utilities Resolution No. 2016-30, at pg. 2.

<sup>9</sup> See [www.guampowerauthority.com](http://www.guampowerauthority.com) at the Procurement tab.

14. In the Petition filed on September 8, 2016, the GPA Acting General Manager requested that PUC authorize GPA to advertise the bid prior to final approval from the PUC: "because this bid document is so similar to prior bid documents that have been approved by the PUC, we are requesting authorization to advertise the bid prior to final approval from the PUC."<sup>10</sup>
15. Neither the PUC nor the Administrative Law Judge authorized GPA to issue the IFB for Property Insurance prior to approval by the PUC.
16. PUC authorization for GPA to issue an IFB prior to PUC approval would be in direct violation of the CONTRACT REVIEW PROTOCOL FOR GUAM POWER AUTHORITY. Section 1 of the Protocol provides that certain GPA contracts and obligations, which would include the Property Insurance IFB, **"require prior PUC approval under the 12GCA 12004, which shall be obtained before the procurement process is begun..."**<sup>11</sup>
17. The CONTRACT REVIEW PROTOCOL FOR GUAM POWER AUTHORITY is a procedure stipulated to by GPA and PUC for the review of GPA contracts by PUC. There is no authority that would allow PUC to disregard, waive, or ignore provisions of the Protocol. The Protocol is a PUC Order.
18. In addition, the timeline for implementing the IFB is compressed; in order to select and implement a new Insurance Provider by November 1, 2016, GPA has also requested that PUC not undertake any final review of the bid award and the cost of the insurance policy.<sup>12</sup>
19. In general, the PUC does require a "second look" at GPA procurements because the ultimate price of the contract is not known until GPA receives bids and awards the contract. That is why the PUC must again review the selected bid prior to award. Otherwise, PUC would have no opportunity to determine if the amount of the bid awarded is reasonable or whether such award could impact rates.

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<sup>10</sup> Letter dated September 2, 2016, from Acting GPA General Manager Melinda R. Camacho, to ALJ Frederick Horecky, Re: Invitation for Bids for Property Insurance Policies [attached to GPA's Petition], dated September 2, 2016, and received by the PUC on September 8, 2016.

<sup>11</sup> CONTRACT REVIEW PROTOCOL FOR GUAM POWER AUTHORITY, Administrative Docket, dated February 15, 2008, at Section 1.

<sup>12</sup> Letter dated September 2, 2016, from Acting GPA General Manager Melinda R. Camacho, to ALJ Frederick Horecky, Re: Invitation for Bids for Property Insurance Policies [attached to GPA's Petition], dated September 2, 2016, and received by the PUC on September 8, 2016, at p. 2.

20. If PUC agreed to a procedure with no “second look”, GPA could theoretically award a Property Insurance contract for any price, even over \$8M, with no review or determination by the PUC as to the reasonableness of the amount of the award.
21. Attached as Exhibit “C” to the PUC Counsel Report is a letter received by the PUC on September 13, 2016, from Mark Grennan, who is the Insurance Risk Consultant of GPA.<sup>13</sup> The PUC has previously relied upon the opinion of Mr. Grennan in approving the current Property Insurance contract with AM Insurance.<sup>14</sup> The PUC adopted the recommendations of Grennan & Associates.<sup>15</sup>
22. In his letter, Mr. Grennan raises serious concerns about the IFB issued by GPA, including the fact that it would choose a bidder based upon a firm price for only 20% of the technical insurance product. Prior GPA Insurance IFBs required a firm price for 80% of the insurance product. In Mr. Grennan’s opinion, a requirement for only 20% of the firm insurance price could result in the selected bidder being unable to obtain 100% of the required coverage.<sup>16</sup>
23. Based upon the lack of a response in the record to Mr. Grennan’s concerns, Counsel was unable to recommend a finding to the PUC that the proposed IFB is reasonable, prudent, or necessary. The PUC is similarly unable to find that the proposed IFB is reasonable, prudent, or necessary.
24. Disapproval of this IFB will not leave GPA without a remedy or means of obtaining Property Insurance. GPA does have the option of renewing the existing policy for one or two years. If GPA subsequently proposes the IFB in a procedurally correct manner, PUC can reconsider the issuance of such procurement for property insurance in the future.
25. GPA should have submitted its Petition to PUC in a timely manner so that the PUC could have reviewed the proposed IFB prior to its Announcement. It was inappropriate for GPA to issue a notice of the IFB before the procurement has been approved by PUC under the Contract Review Protocol.

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<sup>13</sup> Said letter is now a part of the record in this Docket.

<sup>14</sup> PUC Order, GPA Docket 13-04, dated October 29, 2013, at pgs. 2-3.

<sup>15</sup> Id. at p. 3.

<sup>16</sup> Exhibit “C” at p. 2.

### **ORDERING PROVISIONS**

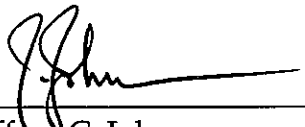
After review of the record herein, GPA's Petition for Approval of Insurance Invitation for Bids, and the PUC Counsel Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's Petition for approval of Insurance Invitation for Bids for GPA Property Insurance Policy is hereby denied.
2. PUC Approval of the IFB would violate the Contract Review Protocol.
3. PUC may not lawfully abrogate its responsibility to determine whether the final cost of the insurance bid is reasonable or impacts rates.
4. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses 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.


Order  
GPA Petition for Approval of  
Insurance Invitation for Bid  
GPA Docket 16-14  
September 29, 2016


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Dated this 29th day of September, 2016.

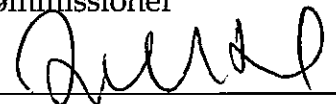
  
\_\_\_\_\_  
Jeffrey C. Johnson  
Chairman

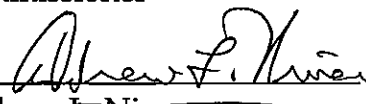
\_\_\_\_\_  
Rowena E. Perez  
Commissioner

  
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Michael A. Pangelinan  
Commissioner

  
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Filomena M. Cantoria  
Commissioner

  
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Joseph M. McDonald  
Commissioner

  
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Peter Montinola  
Commissioner

  
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Andrew E. Niven  
Commissioner



**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF: )  
 )  
 )  
THE PETITION OF THE GUAM )  
POWER AUTHORITY FOR APPROVAL ) PUC COUNSEL REPORT  
OF INSURANCE INVITATION FOR )  
BID )  
 )  
 )

**INTRODUCTION**

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Guam Power Authority ["GPA"] Petition for Approval of Insurance Invitation for Bids.<sup>1</sup>
2. GPA seeks to obtain Property Insurance for the policy period beginning November 1, 2016. The current GPA Property Insurance Policy will expire on November 1, 2016.<sup>2</sup> The policy contains two one-year options for renewal.

**BACKGROUND**

3. GPA's Bond Indenture Agreement requires GPA to "secure and maintain property insurance on all facilities constituting the system against risks of loss or damage to the extent that such insurance is obtainable at reasonable cost...". The Indenture further requires GPA to carry insurance "of a scope and nature as that usually carried in the industry..."<sup>3</sup>
4. The insurance coverages for which GPA seeks to issue an IFB are: Property and Boiler & Machinery, Earthquake, Flood, Typhoon and Tsunami, Terrorism, All Risk, Business Income, and Extra Expense.<sup>4</sup>
5. On May 28, 2013, the PUC approved GPA's last property insurance procurement.<sup>5</sup> The insurance coverage proposed was for a three-year term plus two (2) One (1) year options to extend upon the mutual agreement of the parties.<sup>6</sup>

<sup>1</sup> GPA Petition for Approval for Insurance Invitation for Bids, GPA Docket 16-14, filed September 8, 2016.

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

<sup>3</sup> Guam Consolidated Commission on Utilities Resolution No. 2016-30, issued May 24, 2016.

<sup>4</sup> Attachment to the Petition of the Guam Power Authority for Approval of Insurance Invitation for Bids, GPA Docket 16-14, filed on September 8, 2016.

<sup>5</sup> PUC Order, Docket 13-04, GPA Petition for Approval of Insurance IFB, dated May 28, 2013.

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

6. On October 29, 2013, the PUC approved GPA's contract for Property Insurance with AM Insurance for the period of November 1, 2013 through November 1, 2016.<sup>7</sup>
7. As its current Property Insurance Policy will expire on November 1, 2016, GPA now seeks to obtain property insurance for the policy period beginning November 1, 2016.
8. On May 24, 2016, the Consolidated Commission on Utilities adopted Resolution No. 2016-30, which approves the GPA draft Invitation for Bids for Property Insurance to include Boiler and Machinery and Terrorism coverage. It determined that GPA was required to rebid its property insurance policies under Guam Procurement Regulations.<sup>8</sup>
9. Along with its Petition, GPA has also submitted the format for its proposed Invitation for Bids for Property Insurance.

#### ANALYSIS

10. The CCU approved the Property Insurance IFB on May 24, 2016; however, GPA's Petition for Insurance IFB was not submitted to PUC until September 8, 2016.
11. PUC Counsel sent GPA a letter regarding this Docket on September 16, 2016, a copy of which is attached hereto as Exhibit "A". To date, no response has been received to Counsel's letter.
12. On the same day that GPA sent the Petition to PUC for approval of the Insurance IFB, it publicly announced a Multi-Step Insurance Brokerage Services and Casualty Insurance Bid with 74 pages of documentation.<sup>9</sup> A copy of the Procurement Notice is attached hereto as Exhibit "B".
13. On the same day that GPA filed its request that the PUC approve its IFB for Insurance Services, GPA had already announced the IFB to the public and was requesting bids on the IFB.

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<sup>7</sup> PUC Order, GPA Docket 13-04, GPA Petition for Approval of Insurance Contract with AM Insurance, dated October 29, 2013.

<sup>8</sup> Guam Consolidated Commission on Utilities Resolution No. 2016-30, at pg. 2.

<sup>9</sup> See [www.guampowerauthority.com](http://www.guampowerauthority.com) at the Procurement tab.

14. In the Petition filed on September 8, 2016, the GPA Acting General Manager requested that PUC authorize GPA to advertise the bid prior to approval by the PUC: "because this bid document is so similar to prior bid documents that have been approved by the PUC, we are requesting authorization to advertise the bid prior to final approval from the PUC."<sup>10</sup>
15. Neither the PUC nor the Administrative Law Judge authorized GPA to issue the IFB for Property Insurance prior to approval by the PUC.
16. PUC authorization for GPA to issue an IFB prior to PUC approval would be in direct violation of the CONTRACT REVIEW PROTOCOL FOR GUAM POWER AUTHORITY. Section 1 of the Protocol provides that certain GPA contracts and obligations, which would include the Property Insurance IFB, "require prior PUC approval under the 12GCA 12004, which shall be obtained before the procurement process is begun..."<sup>11</sup>
17. The CONTRACT REVIEW PROTOCOL FOR GUAM POWER AUTHORITY is a procedure stipulated to by GPA and PUC for the review of GPA contracts by PUC. There is no authority that would allow PUC to disregard, waive, or ignore provisions of the Protocol. The Protocol is a PUC Order.
18. In addition, the timeline for implementing the IFB is compressed; in order to select and implement a new Insurance Provider by November 1, 2016, GPA has also requested that PUC not undertake any final review of the bid award and the cost of the insurance policy.<sup>12</sup>
19. In general, the PUC does require a "second look" at GPA procurements because the ultimate price of the contract is not known until GPA receives bids and awards the contract. That is why the PUC must again review the selected bid prior to award. Otherwise, PUC would have no opportunity to determine if the amount of the bid awarded is reasonable or whether such award could impact rates.

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<sup>10</sup> Letter dated September 2, 2016, from Acting GPA General Manager Melinda R. Camacho, to ALJ Frederick Horecky, Re: Invitation for Bids for Property Insurance Policies [attached to GPA's Petition], dated September 2, 2016, and received by the PUC on September 8, 2016.

<sup>11</sup> CONTRACT REVIEW PROTOCOL FOR GUAM POWER AUTHORITY, Administrative Docket, dated February 15, 2008, at Section 1.

<sup>12</sup> Letter dated September 2, 2016, from Acting GPA General Manager Melinda R. Camacho, to ALJ Frederick Horecky, Re: Invitation for Bids for Property Insurance Policies [attached to GPA's Petition], dated September 2, 2016, and received by the PUC on September 8, 2016, at p. 2.



20. If PUC agreed to a procedure with no "second look", GPA could theoretically award a Property Insurance contract for any price, even over \$8M, with no review or determination by the PUC as to the reasonableness of the amount of the award.
21. Attached as Exhibit "C" hereto is a letter received by the PUC on September 13, 2016, from Mark Grennan, who is the Insurance Risk Consultant of GPA.<sup>13</sup> The PUC has previously relied upon the opinion of Mr. Grennan in approving the current Property Insurance contract with AM Insurance.<sup>14</sup> The PUC adopted the recommendations of Grennan & Associates.<sup>15</sup>
22. In his letter, Mr. Grennan raises serious concerns about the IFB issued by GPA, including the fact that it would choose a bidder based upon a firm price for only 20% of the technical insurance product. Prior GPA Insurance IFBs required a firm price for 80% of the insurance product. In Mr. Grennan's opinion, a requirement for only 20% of the firm insurance price could result in the selected bidder being unable to obtain 100% of the required coverage.<sup>16</sup>
23. Based upon the lack of a response in the record to Mr. Grennan's concerns, Counsel is unable to recommend a finding to the PUC that the proposed IFB is reasonable, prudent, or necessary.
24. Disapproval of this IFB will not leave GPA without a remedy or means of obtaining Property Insurance. GPA does have the option of renewing the existing policy for one or two years. If GPA subsequently proposes the IFB in a procedurally correct manner, PUC can reconsider the issuance of such procurement for property insurance in the future.
25. GPA should have submitted its Petition to PUC in a timely manner so that the PUC could have reviewed the proposed IFB prior to its Announcement. It was inappropriate for GPA to issue a notice of the IFB before the procurement has been approved by PUC under the Contract Review Protocol.

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<sup>13</sup> Said letter is now a part of the record in this Docket.

<sup>14</sup> PUC Order, GPA Docket 13-04, dated October 29, 2013, at pgs. 2-3.

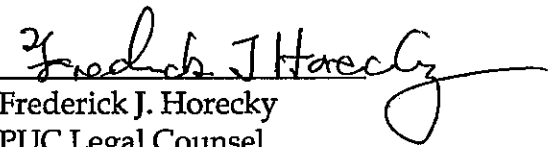
<sup>15</sup> Id. at p. 3.

<sup>16</sup> Exhibit "C" at p. 2.

**RECOMMENDATION**

26. Counsel recommends the PUC deny GPA's proposed Invitation for Bids (IFB) for GPA's property insurance.
27. PUC Approval of the IFB would violate the Contract Review Protocol.
28. PUC may not lawfully abrogate its responsibility to determine whether the final cost of the insurance bid is reasonable or impacts rates.
28. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 23<sup>rd</sup> day of September, 2016.

  
Frederick J. Horecky  
PUC Legal Counsel

**PUBLIC UTILITIES COMMISSION  
OF GUAM**

Jeffrey C. Johnson  
Chairman

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Post Office Box 862  
Hagatna, Guam 96932

David A. Mair  
Joepheth R. Alcantara  
Administrative Law Judge

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Frederick J. Horecky  
Administrative Law Judge/Legal Counsel

Lourdes R. Palomo  
Administrator

September 16, 2016

John M. Benavente  
General Manager  
Guam Power Authority  
PO Box 21868  
Barrigada, Guam 96921

Re: GPA Docket 16-14, GPA Petition for Approval of Insurance Invitation for Bids.

Dear General Manager Benavente:

I am in receipt of GPA's above referenced Petition for approval by the PUC of GPA's Insurance Invitation for Bids.

Initially, it is not clear to me how GPA would intend to complete the IFB process and secure a new Property Insurance provider before the expiration of the current policy on November 1, 2016. In her letter to me dated September 2, 2016 (which was received on September 8), Acting General Manager Camacho asked whether GPA could be authorized to advertise the bid prior to final approval from the PUC, and whether the PUC could agree "not to require "a second look at the bid prior to award" "due to the time sensitive nature of the bid and the routine nature of the bid."

Aside from the issue of whether GPA could even complete the bid process by November 1, 2016, the GPA Contract Review Protocol requires that GPA procurements in excess of \$1.5M "shall require prior PUC approval..., **"which shall be obtained before the procurement process is begun."** Thus, it does not appear that the PUC may, under the Protocol, authorize GPA to advertise the bid prior to approval from the PUC. In addition, the PUC has never made it a practice to "not require a second look at the

bid prior to award." In general, the PUC does require a "second look" because the ultimate price of the contract is not known before GPA receives bids and awards the contract. In this case, if the bids received from GPA were in excess of the \$6-7M projected by GPA, PUC would have no opportunity at all to review the proposed award price.

It is not appropriate for GPA to issue a notice of the IFB before the procurement has been approved under the Contract Review Protocol.

A final issue concerns what pricing GPA may receive if a new procurement is issued. We understand that, if the current policy were extended for a two year period, the price for property insurance could be in the range of \$6.4M. Can we assume that with a new procurement, that issuance of an IFB will necessarily result in a better price than that offered for a two year extension of the current property insurance? There is a distinct possibility that prices obtained in a new bid may be even greater. The previous occurrence of the Cabras 3 & 4 explosion may not a positive factor with regard to a rebid by GPA on property insurance.

I would appreciate it if you could respond to these issues as soon as possible. The meeting date is rapidly approaching. Thank you for your assistance in this regard.

Sincerely,

Frederick J. Horecky  
PUC Counsel

**To strive and achieve or exceed our Goals and Objectives with whatever means available and still provide the very best for our customers most deserving of our dedication.**

**Monday thru Friday, 8:00 A.M. - 5:00 P.M.**  
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**JAMIE L.C. PANGELINAN**  
Supply Management Administrator  
T: 671-648-3054/55  
F: 671-648-3165

Type	Description (PDFs)	Announcement #	Issuance Date	Due Time & Date
RE-BID	Miscellaneous Surplus Salvage Bid ( \$25.00 Non-Refundable Fee)  Download 190 KB	GPA-SS-003-16	09/20/16	10:00 A.M. 10/06/16
BID	Network Equipment for Data Center  Download 617 KB	GPA-103-16	09/20/16	2:00 P.M. 10/06/16
MULTI-STEP BID	Insurance Brokerage Services and Casualty Insurance	GPA-101-16	09/08/16	2:00 P.M. 10/03/16

Exhibit "B"

	<b>Cut-Off Date for Receipt of Questions:</b> <b>4:00 P.M., Wednesday, September 21, 2016</b>  Download 608 KB			
MULTI-STEP BID	Insurance Brokerage Services and Property Insurance  <b>Pre-Bid Conference (Non-Mandatory)</b> <b>9:00 A.M., September 15, 2016 (Guam Standard Time)</b>  <b>Cut-Off Date for Receipt of Questions:</b> <b>4:00 P.M., Wednesday, September 21, 2016</b>  Download 705 KB	GPA-102-16	09/08/16	2:30 P.M. 10/03/16
BID	2016 Pressure Digger  Download 557 KB  Download Amendment No.1 24 KB  <b>*** STAY OF PROCUREMENT ***</b>	RE-BID GPA-074-16	08/25/16	<b>**STAY OF PROCUREMENT**</b>
MULTI-STEP	Renewable Energy Resource Phase II  <b>Pre-Bid Conference:</b> <b>10:00 A.M., May 26, 2016 (Guam Standard Time)</b>  <b>Cut-Off Date for Receipt of Questions:</b> <b>4:00 P.M., Thursday, June 23, 2016</b>  Download 11.446 MB  Download Qualitative Scoring Worksheet 590 KB  Download Price Proposal Worksheet 56 KB  Download Amendment No I 2.806 MB  Download Qualitative Scoring Worksheet Amd. I 583 KB  Download Amendment No II 11.446 MB  Download Appendix G 325 KB  Download Historical LEAC Rates 36 KB  Download Phase I 5650 KW 5.200 MB  Download Phase I 20 MW 3.641 MB  Download Phase II SGIA Interconnection Agreement 142 KB  Download Piti Met Tower Wind Data 2011 1.550 MB  Download Piti Met Tower Wind Data 2012 1.563 MB  Download Piti Met Tower Wind Data 2013 1.544 MB  Download Piti Met Tower Wind Data 2014 1.549 MB	GPA-070-16	05/12/16	4:00 P.M. 10/19/16

September 12, 2016

Mr. John Benavente, GM  
Guam Power Authority  
Gloria B. Nelson Public Utilities Complex  
Route 15 Fadian  
Mangilao, Guam 96912

RE: MSB NO. GPA-102-16

Dear Mr. Benavente:

I have read the MSB for 'Insurance Brokerage Services and Property Insurance' posted on GPA's website, and my ongoing concern for ratepayers and my professional obligation to steer you away from situations that could cause the utility economic harm and legal entanglement compel me to write and point out errors and misstatements contained in that MSB which could have serious unintended consequences.

Before I get into those, I wish to restate here and now, as I have many times in the past, my emphatic disagreement with going out to bid at this time. Underwriters had offered you a deal that guaranteed to hold premiums at current levels for more than two additional years, even though the final amount of the Cabras3/4 claim was still unknown and could go much higher by the time it was settled. To reject that deal and to invite the competition in to exploit incumbent carriers at the height of their misfortune only serves to jeopardize a partnership that has served the island well for over twenty years, not to mention put receipt of the best possible claim settlement in doubt. Remember, underwriters are free to pay, and often do pay, dubious aspects of claims, even pay amounts that are clearly not covered by the policy, for long term clients and clients in excellent standing. For a client who would cancel coverage at the peak of their vulnerability, it is unlikely concessions of any kind would be granted, or that interpretations of vague policy language would be made in their favor. I can only hope that too much damage has not already been done.

As for the current MSB, you should have been warned about and prevented from releasing a document with so many serious errors and misstatements. Flaws with potentially serious unintended consequences. Mistakes like:

- failure to report all recent claim activity and include the known quantum for each event (the MSB seems to say that Guam Power Authority has been 'loss free for ten years', an erroneous statement underwriters may well rely upon when pricing their new insurance product), thereby yielding an undeservedly low premium based on false pretenses,

- if that loss history, at some time in the future, were found to be false, which they are, payment of future claims could be denied or withheld, and the policy even declared null and void, on the basis of misrepresentation of risk,

- to suggest you choose a bidder based on a firm price for only 20% of the technical product opens up the very real possibility that the bidder will not be able to fill out at that 'cheapest price' in the short time frame allowed, and may result in the utility being completely uninsured, with assets and revenue streams unprotected and in default of critical bond covenants. If GPA cannot comply with the bond covenants then the lender will force place property insurance with no regard of premium or coverage.

There are many more serious errors of omission and commission contained in this MSB that I would like to share with you. If you will invite me back, I will enumerate them for you and explain the remedial steps you can take to restore your reputation, to preserve a critical relationship, and to free yourselves from the potential economic and legal consequences that are being created by this MSB.

Thank you for your consideration.

Best regards,



Mark Grennan, President  
Grennan & Associates, Inc.





**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

<b>PETITION FOR APPROVAL OF</b>	)	<b>GWA DOCKET 16-06</b>
<b>AMENDMENT NO. 6 TO PMO WITH</b>	)	
<b>BROWN &amp; CALDWELL BY GUAM</b>	)	<b>ORDER</b>
<b>WATERWORKS AUTHORITY</b>	)	
_____	)	

**INTRODUCTION**

This matter comes before the Guam Public Utilities Commission (the “PUC” or the “Commission”) pursuant to the Petition for approval of a \$4,059,877 increase in the Program Management Office (“PMO”) contract with Brown & Caldwell, specifically Amendment No. 6, filed by the Guam Waterworks Authority (“GWA”) on August 31, 2016.

**DETERMINATIONS**

Pursuant to 12 G.C.A. §12004,<sup>1</sup> GWA may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC’s express approval. Additionally, pursuant to GWA’s Contract Review Protocol issued in Administrative Docket 00-04, “[a]ll professional service procurements in excess of \$1,000,000” require “prior PUC approval under 12 G.C.A. §12004, which shall be obtained before the procurement process is begun . . . .”<sup>2</sup> GWA must also seek PUC’s approval for any uses of bond funds.<sup>3</sup>

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<sup>1</sup> Renumbered as 12 G.C.A. § 12105.

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

<sup>3</sup> *Id.*

On September 27, 2016, the Administrative Law Judge of the PUC Joepheth R. Alcantara (the “ALJ”) filed a report regarding the Petition, which included his findings and recommendations based on the administrative record before the PUC.

In its Petition, GWA maintained that it “continues to need significant assistance relative to compliance with the November 2011 Court Order (“Court Order”), for matters contained in the Stipulation attached to PUC’s Order approving GWA’s 5-year rate plan covering FY2013-FY2018, SRF project management, Project Management Services for the Umatac-Merizo WWTP Upgrade, analysis and planning to improve Ground Water Production Well meter replacement among others . . . .”<sup>4</sup> Based on this need, GWA sought PUC approval to increase the existing contract value with the PMO by \$4,059,877.00 for services described in the Petition.<sup>5</sup>

GWA submitted that the cost of the increase will be funded by 2010, 2013, 2016 bond proceeds, and State Revolving Funds (“SRF”).<sup>6</sup> GWA further submitted that the cost associated with the PMO is commensurate with average PMO costs in the industry.<sup>7</sup> In addition, GWA maintained that the PMO’s assistance with negotiating engineering fees has resulted in a \$7 million savings for GWA over the life of the PMO contract.<sup>8</sup>

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<sup>4</sup> Petition for Approval of Amendment Number Six to Brown and Caldwell PMO Contract (“Petition”), p. 3 (August 31, 2016).

<sup>5</sup> Petition, p. 6.

<sup>6</sup> Petition, p. 6.

<sup>7</sup> Petition, p. 5.

<sup>8</sup> Petition, p. 5.

GWA further submitted that it is working on a transition plan to reduce GWA's reliance on PMO management assistance.<sup>9</sup> In particular, the General Manager and Chief Engineer are in the process of developing a transition plan that will detail the manner and timing of certain PMO services and activities that will be assumed by GWA staff.<sup>10</sup>

**A. Program Management Support**

Based on the work authorization submitted by GWA, the purpose behind Program Management Support is to provide GWA with management and consulting services for GWA's capital improvement projects. The deliverables include the production of schedules, budgets, scopes of work, work authorizations, staffing plans for capital improvement projects. The PMO will continue to provide qualified and specialized technical support necessary to respond to GWA's issues on an as-needed basis. In addition, the PMO will be available to prepare and review requests for proposals and scopes of work to procure engineering and construction contracting services from the community. Further, the PMO is expected to work with GWA in promoting knowledge transfer between the PMO and GWA staff through mentoring and training. This ongoing work with GWA is planned to expire at the end of the 2017 fiscal year, and which cost is estimated at \$782,995.00.

**B. Agat-Santa Rita WWTP Mixing Zone Study**

According to the work authorization submitted by GWA, this project involves the study of the potential dilution zone in Tipalao Bay. The PMO will assist

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<sup>9</sup> Petition, p. 3.

<sup>10</sup> Petition, p. 6.

GWA from project initiation to completion, including the preparation of a detailed study plan; actual field work, which includes a dye field study; dilution modeling based on observed conditions; an analysis report based on the field study; and workshop training with GWA on interpretation of the results. This project is estimated at \$447,250.00, and is expected to be completed by January 31, 2017.

**C. Project Management for the Umatac-Merizo WWTP Upgrade Design**

According to the work authorization, the PMO will assist GWA from start to finish, which includes the following: preparation of the bid documents for the design and build contract, procurement, design, and construction management, all the way through warranty review.<sup>11</sup> This project is estimated at \$1,250,757.00, and is scheduled to be completed by December, 2018, pursuant to federal court order.

**D. Agat to Umatac Potable Waterline Analysis**

Based on the work authorization submitted by GWA, the PMO will assist GWA with analyzing “up to five (5) alternatives” for a potable water line from Agat to Umatac, and will result in the preparation of a technical report to GWA summarizing this analysis.<sup>12</sup> The PMO will provide recommendations in this report. This project is estimated at \$56,030.00.

**E. Tumon Wastewater Investigation and Analysis (Phase 1)**

According to the work authorization, the PMO will assist GWA with performing a focused study of the Tumon Sewer Basin. Phase 1 involves “an in-depth

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<sup>11</sup> Work Authorization 2016-07, pp. 3-7.

<sup>12</sup> Work Authorization 2016-01, p. 2.

analysis of existing sewershed information and updating the GWA geographical information system . . . .”<sup>13</sup> The study will involve data collection, site visits, evaluation of the data, and the production of a technical memorandum documenting the findings of the study. This project is estimated at \$187,990.00 and is estimated to be completed within four (4) months.

**F. Hydraulic Modeling Phase 3**

Based on the work authorization submitted by GWA, the PMO will assist GWA with on-call services related to water system issues, for instance: implementation of the pressure zone realignment plan; taking storage tanks offline for inspection; placing new storage tanks in service; analyzing available fire flow; analyze water system piping; conducting analyses for growth, development, efficiency, and maintenance, among others. The PMO will also update the hydraulic model, by updating the geographic information system (GIS), the model piping, model facilities, to name a few. The PMO will further provide a training exercise based on the water model. This project is estimated at \$148,746.00 and is estimated to be completed by July 31, 2017.

**G. Engineering for Groundwater Well Production Meters**

According to the work authorization submitted by GWA, the purpose of the project is to verify meter performance, as well as to develop bid-ready plans and specification to replace under-performing and failing production flow meters at the groundwater well sites. This project involves the PMO visiting GWA’s 120 well sites to develop a site-specific meter replacement or repair strategy. For sites requiring meter

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<sup>13</sup> Work Authorization 2016-02, p. 2.

replacement, the PMO will develop site-specific construction plans for meter replacement. The PMO will also provide services during the procurement process, as well as services during construction. This project is estimated at \$301,539.00 and is estimated to be completed by January 31, 2017.

#### **H. Backflow Prevention Study**

Based on the work authorization submitted by GWA, the PMO will assist GWA with the development and preparation of a program for a reliable backflow prevention program that GWA can implement.<sup>14</sup> Aside from managing this project, the PMO will also work with GWA to collect the data needed for this type of study, as well as conduct a limited amount of interviews with GWA customers.<sup>15</sup> The PMO will then undertake, with GWA, the development of policies and procedures for backflow prevention; the PMO will further prepare a technical memorandum that encapsulates the backflow prevention program for GWA to implement.<sup>16</sup> This project is estimated at \$154,570.00.

#### **I. Project Management Support for EPA Funded SRF Projects**

As indicated in the Petition, this project involves management of nine (9) discrete rehabilitation programs, which include the following: (1) Southern SSES Rehabilitation (Agat-Santa Rita, Umatac-Merizo); (2) Route 1 Asan-Adelup-Hagatna; (3) Route 2 Agat War in the Pacific Project; (4) F and A Series Wells Rehabilitation; (5) Tumon Sewer Hotspots; (6) Route 4 Hagatna; (7) D-Series Wells Rehabilitation;

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<sup>14</sup> Work Authorization 2016-09, p. 2.

<sup>15</sup> Work Authorization 2016-09, p. 3.

<sup>16</sup> Work Authorization 2016-09, pp. 4-5.

(8) Baza Gardens-Talofofo SSES Rehabilitation; and (9) Tamuning Sewer Hot Spots.<sup>17</sup> According to the work authorization submitted by GWA, the PMO will manage these projects from the initiation phase, through pre-design, bidding, construction, and close-out. In particular, the PMO's duties include arranging and coordinating procurement; reviewing bids; managing construction contracts; and monitoring schedules, among others. This work authorization is only through December 31, 2017, and is estimated at \$730,000.00.

### **CONCLUSION**

Based on his review, the ALJ found that the additional funds for the projects described in the Petition and its supporting documents are critical and necessary in order for GWA to meet the deadlines imposed by the federal Stipulated Order, as well as to improve GWA's water and wastewater systems.

Further, it did not appear that the increase requested would have a negative impact on rates since, as GWA has indicated, the source of funding would be the 2010, 2013, and 2016 bond proceeds.<sup>18</sup> Additionally, as GWA has indicated, the SRF grant would also fund certain eligible projects.<sup>19</sup>

Based on the documentation provided by GWA in this docket, and for the other reasons set forth herein, the ALJ recommended that the PUC approve GWA's request for additional funding for its contract with Brown & Caldwell, not to exceed \$4,059,877.00. However, since GWA indicated that it is working on a transition plan to reduce GWA's reliance on PMO management assistance, the ALJ further recommended

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<sup>17</sup> Petition, p. 4.

<sup>18</sup> Petition, p. 6.

<sup>19</sup> Petition, pp. 5-6.

that GWA should file such a plan with the PUC by December 31, 2016, so that the PUC can examine GWA's efforts in lessening its reliance on PMO services.

The Commission hereby adopts the findings contained in the September 27, 2016 ALJ Report and, therefore, issues the following:

### **ORDERING PROVISIONS**

After careful review and consideration of the above determinations, the September 27, 2016 ALJ Report, and the record herein, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission hereby ORDERS the following:

1. That GWA's August 31, 2016 Petition for approval of Amendment Number Six to the PMO contract with Brown & Caldwell is GRANTED to the extent that GWA is authorized to increase its contract with Brown & Caldwell for an amount not to exceed half of \$4,059,877.00 (or \$2,029,938.50), and that approval of the remaining half shall be considered upon GWA's submission of a transition plan by December 31, 2016, which shall address GWA's current and future efforts to reduce its reliance on PMO services.

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



**SO ORDERED** this 29<sup>th</sup> day of September, 2016.



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**JEFFREY C. JOHNSON**  
Chairman

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**ROWENA E. PEREZ**  
Commissioner



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**JOSEPH M. MCDONALD**  
Commissioner



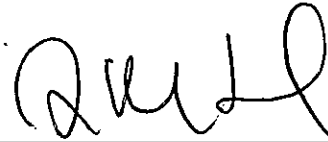
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**FILOMENA M. CANTORIA**  
Commissioner



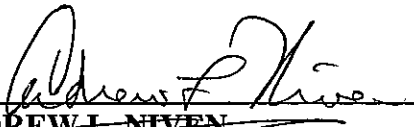
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**MICHAEL A. PANGELINAN**  
Commissioner



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**PETER MONTINOLA**  
Commissioner



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**ANDREW L. NIVEN**  
Commissioner

P163032.JRA



BEFORE THE PUBLIC UTILITIES COMMISSION

PETITION OF  
GUAM WATERWORKS AUTHORITY )  
FOR RATE RELIEF )  
\_\_\_\_\_ )

GWA DOCKET 16-07

ORDER RE: ANNUAL  
TRUE UP FOR FY2017 RATES

**INTRODUCTION**

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the PUC’s Rate Decision dated October 29, 2013. Pursuant to the Rate Decision, GWA is required to provide the PUC with certain updated information annually, specifically its annual “true up” report.

**DETERMINATIONS**

On June 1, 2016, GWA submitted its annual “true up” report (hereinafter referred to as the “Annual True Up” or “FY2016 True Up”). Pursuant to the October 29, 2013 Rate Decision, the PUC has approved a rate increase of 7% for fiscal year 2017 (“FY2017”).

On September 28, 2016, the Administrative Law Judge of the PUC Joepheth R. Alcantara (the “ALJ”) filed a report regarding the Annual True Up, which included his findings and recommendations based on the administrative record before the PUC. The ALJ made the following findings:

**A. Annual True Up**

**1. Base Rate and Lifeline**

In the Annual True Up, GWA submitted that it has reviewed its “revenue requirements and other requisites such as rate covenants and financial policies; considered

**ATTACHMENT I**

known and measurable changes in costs and conditions and based on the result of its analysis has determined and recommends a 3.5% rate increase for basic, lifeline and non-lifeline rates for FY2017 for all rate classes except Agriculture which management recommends remains at the current rate.”<sup>1</sup>

A 3.5% rate increase will generate a total of \$113 million in operating revenues derived from approximately \$68 million in water sales; \$39 million in wastewater; \$3 million from the legislative surcharge; \$2 million in System Development Charges; and \$1 million in other revenues.

## **2. Legislative Surcharge**

GWA reflected in its filings a Legislative Surcharge, which is restricted to paying for health care benefits and annuities of GWA’s retirees and must be adjusted annually, that is increased by 3.7%.

## **3. Cost Savings**

GWA submitted that it has “realized certain cost savings and re-evaluated its revenue requirement based on historical and current data”<sup>2</sup>; and that these savings have resulted from a reduction of \$6 million in debt service; \$5 million in power costs cuts, which GWA owes to its improved operating efficiencies; and \$3 million in deferred capital expenditures.<sup>3</sup>

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<sup>1</sup> Annual True Up, p. 1.

<sup>2</sup> Annual True Up, p. 1.

<sup>3</sup> Annual True Up, p. 1.

#### **4. Revenue Requirement**

In summary, its obligations for FY2017 necessitate a revenue requirement of about \$81 million. This requirement involves the following: about \$23 million in salaries and benefits; about \$21 million in utilities; about \$11 million in general and administrative expenses; about \$4 million in contractual expenses; about \$3 million in retiree supplemental annuities and health care benefits, along with other expenses; and about \$18 million in depreciation expense.<sup>4</sup>

In addition, GWA is obligated to pay \$25 million of debt service for FY2017 for its 2010, 2013, and 2015 bonds.

GWA submitted that it will further focus on its water supply reliability, water quality, leaks and repairs, as well as continued compliance with the federal court order.<sup>5</sup>

#### **B. True Up Review**

##### **1. Operating Expenses for FY2017**

As indicated in the filing, GWA's projected operating expenses for FY2017 necessitate a revenue requirement of about \$81 million. This requirement involves the following: about \$23 million in salaries and benefits; about \$21 million in utilities; about \$11 million in general and administrative expenses; about \$4 million in contractual expenses; about \$3 million in retiree supplemental annuities and health care benefits, along with other expenses; and about \$18 million in depreciation expense.<sup>6</sup>

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<sup>4</sup> Annual True Up, p. 1; Schedule A.

<sup>5</sup> Annual True Up, p. 1.

<sup>6</sup> Annual True Up, p. 1; Schedule A.

2. **Debt Service**

GWA's debt service for FY2017 is about \$25 million.<sup>7</sup>

3. **Projected Revenues**

Based on the information provided by GWA, GWA projected that its total revenues for just water and wastewater for FY2017 is about \$111,016,742.00. This amount is based on a 3.5% rate increase. GWA estimated that if the 3.5% rate increase is not approved by the PUC, then its revenues will be less by \$4.1 million.

4. **Status of Projects**

In its July 28, 2016 Order, the PUC required GWA to submit a report detailing the status of all Capital Improvement projects, as well as submit an accounting of any remaining bond funds. Based on the documentation provided by GWA, it appears that several of the projects remain ongoing and outstanding. As examples, the construction of new wells has not yet been completed; new tanks have not yet been completed; and the booster pump station rehabilitation project is still ongoing.

5. **Bond Fund Accounting**

Further, based on GWA's submission, as of August 31, 2016, the following bond funds remain available: (1) about \$12 million, with about \$6 million unobligated, for the 2010 bond; (2) about \$112 million, with about \$32.5 million unobligated, for the 2013 bond; and (3) about \$140 million for the 2015 bond.

6. **Additional FTE Requested for FY2017**

GWA further submitted, per the request of the PUC, a list of additional full-time employees requested for FY2017. The list indicates fifty-nine additional positions,

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<sup>7</sup> Annual True Up, p. 1; Schedule A.

ranging from customer service representatives, equipment operators, water plant operators, water sewer maintenance workers, and leak detection technicians, among others. The estimated cost of to fill these positions is \$2,010,444.00.

**7. Conclusion and Recommendation**

Based on the record, the ALJ therefore recommended that the PUC stay any rate relief for now. The ALJ noted that the PUC has recently approved the issuance of three (3) bond issuances, but that the PUC should also be concerned that many of the projects have yet to be completed. As discussed above, GWA's filings indicate substantial amounts of bond funds that remain uncommitted in the accounts. The ALJ stated that ratepayers deserved some relief while GWA continues its efforts to improve its systems. GWA can make up this shortfall by holding off on filling the new positions requested for FY2017, which will save about \$2 million; as well as exercising some other cost saving measures. Accordingly, the ALJ recommended that the PUC stay any rate relief at this time. However, with regard to the Legislative Surcharge, the ALJ recommended that the PUC approve the increase of this surcharge by 3.7% as requested by GWA.

The Commission hereby adopts the findings contained in the September 28, 2016 ALJ Report and, therefore, issues the following:

**ORDERING PROVISIONS**

After careful review and consideration of the above determinations, the September 28, 2016 ALJ Report, and the record herein, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission hereby ORDERS the following:

1. That GWA has satisfied the requirements concerning its annual true up and, therefore, GWA's request to increase its Lifeline and Non-Lifeline Water and Wastewater rates by 3.5%, excluding agriculture, is hereby APPROVED.

2. That approval is further GRANTED for GWA to increase its Legislative Surcharge by 3.7%.

3. That GWA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses associated with the instant proceeding. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b), 12024(b) (renumbered as 12 G.C.A. §§ 12103(b) and 12125(b)), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

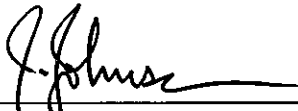
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SO ORDERED this 29<sup>th</sup> day of September, 2016.

  
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**JEFFREY C. JOHNSON**  
Chairman


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**ROWENA E. PEREZ**  
Commissioner

  
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**JOSEPH M. MCDONALD**  
Commissioner

  
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**FILOMENA M. CANTORIA**  
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**MICHAEL A. PANGELINAN**  
Commissioner

  
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**PETER MONTINOLA**  
Commissioner

  
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**ANDREW L. NIVEN**  
Commissioner

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