

GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
March 29, 2018
Suite 202, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:39 p.m. on March 29, 2018, pursuant to due and lawful notice. Commissioners Johnson, Perez, Pangelinan, Cantoria, Montinola and McDonald were in attendance. The following matters were considered at the meeting under the agenda made *Attachment "A"* hereto.

1. Approval of Minutes

The Chairman announced that the first item of business on the agenda was approval of the minutes of February 22, 2018. Upon motion duly made, seconded and unanimously carried, the Commission approved the minutes subject to correction.

2. TeleGuam Holdings LLC

The Chairman announced that the next item of business on the agenda was GTA Docket 17-07, the Amended PUC Rules and Regulatory Fees for Telecom Companies, and Ratification of the Chairman's Order approving Amended PUC Rules on Regulatory Fees for Telecom Companies. Commissioner Pangelinan recused himself on this matter for reasons previously indicated at the last meeting. Counsel indicated that, at the last meeting, a quorum was not present to address this issue. Acting Chairman Niven decided that the best approach was to act under the statute which allows the Chairman to act on behalf of the PUC on certain matters. Acting Chairman Niven signed an Order on behalf of the Commission which approved the Amended PUC Rules on Regulatory Fees for Telecom Companies. In this docket, the five telecom parties had all agreed to a new method of assessment of the administrative fees for the PUC. The portion of the telecom assessment for each company had been agreed to.

Under the agreed new fee assessment structure, there will be an annual baseline assessment of \$45,000. Each company will pay an agreed amount annually; the remainder of the administrative fees will be determined, as they have always been, based upon the percentage of the total regulatory fees incurred by each company in the prior year. The baseline will be assessed first, and then any additional administrative assessment fees owed by the companies.

The Commissioners are now being asked to ratify Acting Chairman Niven's Order. If the Commission does so, it would be ratifying Acting Chairman Niven's Order and also approving and adopting the Amended Rules governing Telecommunications Companies. Upon motion duly made, seconded and unanimously carried, the

Commissioners ratified Acting Chairman Andrew Niven's Order approving the Amended PUC Rules and Regulatory Fees for Telecom Companies, and adopted the Order made *Attachment "B"* hereto.

The Chairman announced that the next item of business was Ratification of Acting Chairman's Order Approving Amendment of Assessment Order regarding Assessment for Telecommunications Companies, Administrative Docket. Counsel indicated that, at the last meeting, there had been no quorum for this matter. Acting Chairman Niven approved an Amendment to the Assessment Order issued by the Commission at the end of September last year. That Order established the assessment of administrative fees to each of the Telecommunications Companies for FY2018. The Acting Chairman's Order had revised the assessment previously made at the end of last September based upon the Stipulation of the Parties in this docket and agreement of the Telecom Companies.

The assessments for each of the five telecom companies changed as a result of their agreement. It was a complicated calculation for the prior four months period, and, for the rest of the year, a new assessment procedure based upon the baseline and the calculation of the remainder. Upon motion duly made, seconded and unanimously carried, the Commissioners ratified the Chairman's Order Approving Amendment of Assessment Order regarding Assessment for Telecommunications Companies, and adopted the Order made *Attachment "C"* hereto.

The Chairman announced that the next item of business was GTA Docket 18-01, the Joint Petition of TeleGuam Holdings, LLC, and Pacific Data Systems Inc. for Arbitration of Interconnection Agreement, Administrative Law Judge Report, and Order Approving Interconnection Agreement. Counsel indicated that one of the matters in this arbitration involved a pricing attachment, which includes pricing for services that GTA and PDS have agreed to. Today PDS requested through its President Mr. Day that the pricing attachment be dealt with as confidential and sealed. Counsel recommends that it is proper to seal the pricing attachment and hold it as confidential between the Parties. The Commission's Confidentiality rules generally require information to be held confidential upon request of a Party. There is a process to challenge confidentiality by a Party who objects.

PDS and GTA have presented their final Interconnection Agreement. This is the agreement by which GTA provides colocation and other services, UNEs, loops, subloops, etc. Previously the Commission approved the ALJ report which required certain changes to be made in the Interconnection Agreement as a result of the arbitration proceedings. The Commission approved the ALJ's recommended changes. The ALJ has reviewed the proposed Agreement. For the record, he indicated that the Parties did make the changes that were approved by the Commission. This is the final agreement of the Parties which they accept their filed Interconnection Agreement.

By the proposed Order, the Commission would give final approval to the Interconnection Agreement. Before the Commission approves the Interconnection Agreement, there must be a finding that the Agreement does not discriminate against a telecommunications carrier not a Party to the Interconnection Agreement, pursuant to standards set forth in the 47 USC Section 252(e)(2)(a). The ALJ certified his belief that the proposed Agreement does not discriminate against any third party not a party to the Agreement. The Agreement is consistent with the public interest, convenience, and necessity.

The Parties were basically seeking to conform the Agreement to a number of decisions that the Commission had previously issued. One was for the TELRIC Study and the Order concerning pricing for loops and sub-loops. There were issues on colocation and the pricing attachment to the ICA. The proposed Order includes a finding that the pricing attachment is just and reasonable. The pricing is the result of determinations in the TELRIC Study and the arbitration in PDS Docket 14-01. By signing the Order, the Commissioners would approve the Interconnection Agreement pursuant to federal law, order the Parties to perform their duties and obligations under the Agreement, and find that the pricing attachment and the pricing are just and reasonable. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Interconnection Agreement between GTA and PDS, and adopted the Order made *Attachment "D"* hereto.

The representatives of the Parties thanked both the Commissioners and the ALJ for their hard work in this matter.

3. Guam Power Authority

The Chairman announced that the next item of business on the agenda was GPA Docket 18-06, Petition to Approve Phase 2 Renewable Award to KEPCO-LG, PUC Counsel Report, and Ratification of the Acting Chairman's Order Approving Phase 2 Renewable Award to KEPCO. Commissioner Pangelinan recused himself from this matter as he had at the last meeting. Counsel stated that, at the last meeting, the Acting Chairman felt that it was necessary to proceed ahead even though there was not a quorum on the matter. GPA stated that it wished to act quickly and move ahead on the 60-megawatt solar plant because the pricing is attractive. The sooner GPA can move, the sooner the pricing will be available.

The PUC Counsel Report had recommended that the PUC approve GPA's request to award KEPCO the Renewable Acquisition for two 30-megawatt solar energy plants. Counsel found that the plants will provide substantial savings to GPA over the term of the renewable energy contracts, as the rates for renewable energy are significantly lower than the current and projected LEAC rates. The energy prices under the contracts escalate annually, but by no more than one percent. The Acting Chairman approved the Order. However, the Order indicated that it was subject to ratification by the Commission. At the present time Counsel requests that the Commissioners ratify

Acting Chairman Niven's prior Order. Upon motion duly made, seconded and unanimously carried, the Commissioners ratified the Acting Chairman Niven's Order approving the Phase 2 Renewable Award to KEPCO-LG, and adopted the Order made *Attachment "E"* hereto.

The Chairman announced that the next matter for consideration by the Commission was GPA Docket 18-08, Petition to approve Phase 2 Renewable Award to Hanhwa Energy Corporation, PUC Counsel Report, and Proposed Order. Counsel indicated that this was a companion matter to the prior issue involving KEPCO. GPA initially went out to bid for 40 megawatts of renewable energy. That amount was later increased to 60MW. After the bids were received, GPA felt that the prices offered by the bidders were good, and much below the LEAC rate. GPA decided to procure 120MW of solar power.

Hanhwa's prices for one plant will be \$62.45 per megawatt-hour, and, for the second plant, \$65.99 per megawatt-hour. Both plants will have some storage capacity. Storage capacity will be built for ramp control, and hopefully some of the solar power can be used during the peak load hours in the evening. Counsel recommends approval. GPA's Renewable Portfolio Standards require that 25% of its net electricity sales by 2035 be renewable power. After the current 120MW renewable plants are added to the system, by the year 2020, already 26% of GPA's sales will be through renewable energy production. GPA deserves some congratulations for seriously trying to increase the amount of renewable energy in the system. GPA has made considerable efforts in this regard. These Renewable Energy plants should have a positive impact on LEAC and should reduce some of the fuel costs. The Hanhwa plants also will escalate no more than the 1% annually on the fixed renewable prices.

A few issues must be addressed. One is the overall mix of energy that GPA will have in its system. There is a question as to how many megawatts are needed for the system after these plants come online, including net metering. With these renewable energy plants, and the 37 megawatts of solar power for the Navy under Phase 3, there will be over 200MW of solar energy on Guam. There will also be proposed new baseload generation of 180MW. There is approximately 400MW of existing fossil fuel produced energy. There is certainly a question as to whether there will be too many megawatts of energy resources in the system. This issue will need to be addressed in the future.

For the time being, it is desirable that GPA include energy storage requirements so that Hanhwa provide facilities enabling the shifting of solar energy to peak-hour use. Counsel does not have concerns about the proposed contracts, as they are based upon the format of prior solar contracts and are well written with provisions that should adequately protect the ratepayers. Counsel recommends approval of this procurement and award to Hanhwa.

Commissioner Montinola asked for clarification concerning the pricing of the solar plant proposals and the megawattage. GPA GM Benavente indicated that the average

cost will be 8.2 cents per kwh when controls and batteries are added into the systems. Both KEPCO and Hanhwa will produce about 144-megawatts in terms of energy production. The important matter is that the plants come in 30-megawatt blocks. The maximum for each awardee will be 60-megawatts. Both will provide energy costs much lower than the present LEAC. This was an excellent opportunity for GPA—with prior bids, there was pricing of 12, 13, and 15 cents per kwh. GPA feels that these prices may not be seen again.

Commissioner Montinola asked whether these plants were being treated like an IPP. GM Benavente indicated that these were power purchase agreements for 25 years; thereafter the Parties have no obligations. Commissioner Montinola asked whether, after 25 years, GPA would own the plants. GM Benavente indicated that it would not. GPA can negotiate after 25 years. But after 25 years replacement of batteries and other renovations would be necessary. At that time GPA can determine whether the contractor should add additional solar PV panels and whether it is in GPA's best interest. GPA does have the option to purchase the solar plants at the end of the 25 years. Commissioner Montinola asked whether there were any additional fees outside of this per megawatt charge. GM Benavente indicated it was 8.5 cents per kilowatt-hour. If the contractor produces less energy than the agreed minimum, there may be penalties. Commissioner Montinola asked about the price differential between the two contractors. GM Benavente indicated that their proposals were in 30MW blocks, and each has its own costs. GPA was satisfied with the prices of both. GM Benavente indicated that both contractors were providing around 144MW each.

The Chairman asked about the expiration of solar energy credits this calendar year. GM Benavente thought that it was not until 2022. Assistant GM Cruz indicated that they did not expire until 2023. Contractors have until 2023 to complete the projects. The Chairman wondered whether there was a risk that the projects would not be completed by 2023. GM Benavente indicated that the risk would be on the contractor once the contracts are signed. There is a production performance guarantee. GM Benavente clarified for the Chairman that it was Hanhwa that was connecting at the Talafofo substation. KEPCO is just passed the Marbo Cave area and is hooking into the Pagat substation. It will run a 115 KV line from Dandan and tie into Piti. Other areas will benefit from this. Part of it will be a new line. The easements are set for this. To add more renewables in the future GPA will have to upgrade some of the grids, condensers, etc. The energy will be shifted and utilized with the same transmission lines at night. GPA believes it can add another 100 megawatts to the system. It is a good opportunity for GPA.

GM Benavente indicated that the ESS of 16MW for Talafofo and 21MW for Agana will be online in August. It will help with outages. With the 120MW and the Navy solar projects, there will be full shifting batteries. These batteries will provide some relief in terms of reliability.

Commissioner Perez asked whether there would come a point where GPA had too much power generation. GM Benavente indicated that there was a difference between renewable, standby generation and baseload generation. Today the renewables are not firm capacity. Phase 3 may involve some firm capacity. If GPA does not go baseload and just uses the present standby generators, the fuel costs every year are substantial. This will need to be analyzed further. GPA is growing in terms of load, and the baseload plants are already aging. GM Benavente will address this concern. Commissioner Perez asked when the renewable plants would go online. GM Benavente indicated it would be in approximately two or two and one-half years. Phase 3 would probably be around the same time. He projects that in 2022 energy cost for the island will drop, particularly if GPA converts to the new power plants, renewables and natural sulfur diesel. If oil stays up, natural gas becomes an economic no-brainer. LEAC costs could be close to 9 or 10 cents a kilowatt hour. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Phase 2 Renewable Award to Hanhwa Energy Corporation, and adopted the Order made *Attachment "F"* hereto.

The Chairman announced that the next item of business on the Agenda was GPA Docket 18-10, Petition to Approve Contract Extension for Tristar Terminals Guam Inc., for Dock, Pipeline and Fuel Storage Facility, PUC Counsel Report, and Proposed Order. Counsel indicated that there were three aspects to GPA's relationship with Tristar: a dock facility user agreement (F Dock at the Port), the Pipeline Agreement (transfer of fuel to GPA's facilities), and a fuel storage agreement whereby GPA leases storage space for fuel from Tristar. In 2013 the Commission approved these contracts for a 5-year term. The present contracts each terminate on August 31, 2018. GPA is seeking to renew the terms of the three contracts for September 1, 2018 to August 31, 2022. The CCU approved the resolution requesting that all of these three agreements be extended for a 4-year period. The fees in the Dock User Agreement are not changing much at the present time. However, and they will change on March 31 of 2019. It is not now known what the new prices may be. Counsel has recommended that the PUC approve the Dock User Agreement.

However, the Pipeline and Storage Agreements raise concerns. These contracts contained an automatic consumer price index increase annually of 4%. They automatically increase by an additional 4% per year. Counsel has questioned the automatic increase before. The Commissioners can ask the question of whether there should be an automatic 4% increase in these two contracts. Counsel and GPA have had discussions on this issue. Tristar is a monopoly. It maintains the facilities and GPA does not have an option to go elsewhere.

However, Counsel researched annual consumer price index increases on Guam over the past few years. For 2013, CPI increase was 0%. For 2014, 0.8%. For 2015, a decrease of 0.9%. Between the fourth quarters of 2016 and 2017, CPI rose 3.2%. Counsel did not find a single year where it rose 4% or more. The question is why the 4% annual increase figure is being used in these contracts, and whether it is appropriate to burden the

ratepayers for that kind of an increase, unless Tristar can relate it to an actual cost. Counsel has seen other contracts that do base cost increases on CPI. But here the 4% automatic increase does not have a relation to reality. The overall cost of this 4-year extension for the Dock Agreement is \$6.3M, \$2.1M for the Pipeline Agreement, and \$6.6M for the RFO Storage Agreement. For the Storage Agreement between GPA and Tristar the cost will increase to \$800,000 for the entire 4-year period, or about \$200,000 per year. It is not clear why the ratepayers should bear these charges. These three contract charges are included in LEAC as "fuel handling charges." The 4% annual cost consumer price increases become a part of the LEAC, and they are borne by the ratepayers in LEAC proceedings.

While Counsel recommends that the Dock User Agreement be approved, he recommends that GPA be requested to go back to Tristar and at least make an effort to negotiate the CPI provision and to make it more reasonable. Counsel does not feel that he could, in good faith, recommend that the Commissioners approve the agreements without at least an effort to make the CPI provisions fair. Counsel repeated the annual CPI increase figures for the Chairman. The Chairman indicated that the range was between minus 1 and 3. Counsel indicated that was correct. The Chairman clarified that the Order was just to renegotiate the Pipeline and Storage Agreements, and to approve the Dock User Agreement. He asked whether the deadline was August. Counsel confirmed that was correct.

Commissioner Pangelinan asked Counsel to explain why GPA does not have a choice but to accept the terms that are being proposed. Counsel indicated that Tristar has leases on these facilities. So, for example, with the Pipeline Tristar has a lease with the Port. There is no other pipeline available; however, it still seems to Counsel that there should be a rationale as to why an automatic CPI increase is included. Counsel had previously raised this issue in 2013. A Party should not have the right to include provisions that are unreasonable to GPA and the public. Commissioner Perez asked whether there was any consumer protection on these types of principles. For example, a company that could come in and disallow such a provision. Counsel indicated that was a good question. Counsel has not considered this in detail but felt that there might be federal agencies such as FERC or the Federal Trade Commission. Counsel felt it was a good idea to give GPA an opportunity to try to renegotiate and see what happens. If renegotiation is not successful, the Commission can then decide what should be done.

Assistant GM Cruz of GPA asked Counsel whether its figures were based upon the US CPI or Guam's CPI. Counsel indicated it was Guam's CPI. GM Benavente indicated there could be light at the end of the tunnel, which means that when GPA converts to ultra-low sulfur diesel, the two tanks which it has would have an adequate 60-days supply. GPA might evaluate whether it should construct tanks or have a pipeline itself. For now, GPA is storing low sulfur fuel, high sulfur fuel, and ultra-low-sulfur diesel. It needs a lot of tanks. But GPA can go back and bring this concern up and see what it can do to bring that cost down to a reasonable amount. Commissioner Perez indicated that

there is an obligation to the ratepayers to attempt to consider other methods for obtaining these services. Commissioner McDonald asked whether the Commission would be approving the Pipeline and Fuel Storage Agreements without the 4%.

Counsel indicated it would not approve the Pipeline or Storage Agreements at the present time, only the Dock User Facility Agreement. With the Dock Facility Agreement, GPA would be required to come back to the PUC in March of 2019 if there was a cost increase. In March of 2019 Tristar will be renegotiating its lease with the Port. There could be an increase, depending upon how the negotiations go. Commissioner Pangelinan indicated that there should be some means of having pressure on Tristar rather than just having to accept any number it proposes. Counsel clarified that the pipeline belongs to the Port, and Tristar operates it. The Commissioners felt that there should be some resolution. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Dock User Agreement with Tristar, subject to conditions, but requested GPA further negotiate the automatic 4% CPI increases in the Pipeline and Storage Agreements. The Commissioners adopted the Order made *Attachment "G"* hereto.

The Chairman indicated that the next item of business was GPA Docket 18-09, Petition to Increase the EPCM Contract, PUC Counsel Report, and Proposed Order. Counsel indicated that Stanley Consultants was the consultant that GPA hired to assist it with the 180-megawatt new generation proposal. Stanley is hired as an engineering, procurement and construction management contractor. In this petition, GPA seeks an increase in the contract amount for Stanley of \$650,000. The Commissioners approved the original contract in two dockets, GPA Docket 17-05 and 15-05; the initial authorization for GPA's expenditure for an EPCM contractor for the new plant was \$750,000. An RFP was issued, and Stanley was selected. Stanley is a well known worldwide contractor. However, there are issues about the cost of this contract that need to be addressed.

Stanley was initially hired to prepare the procurement documents for the 180-megawatt plant. Stanley got involved in other issues, such as GPA's purchase of land in the Harmon area and the negotiation/presentations before the Legislature. There were apparently additional items not included in the original scope of work that necessitated the \$650,000 increase. Originally GM Benavente had indicated that the EPCM was a one-time expense, and that the total cost would be \$750,000.

Counsel was therefore initially surprised by the request for an increase. GPA contends that the land issues and the need for further work on the procurement documents justify the increase. The Stanley contract is a 5-year contract, extending through 2022. There are many subcontractors involved under Stanley. There are a cadre of consultants working under Stanley, which Counsel was not aware when he commenced reviewing this matter. It is unclear what other cost would be for a 5-year contract with Stanley. GPA representative suggested that Stanley might have an even longer

presence with GPA with a contract for the IPP as “owners representative.” The Commission needs to know what it is getting into here because there have been experiences with other contracts. The scope of work mentioned a public relations support team to assist Stanley and a community outreach specialist. Stanley also was tasked was preparing a plan for “obtaining CCU and PUC approval.” Counsel questioned whether GPA needed an internal lobbyist to lobby either the CCU or the PUC. Counsel wondered why those aspects were needed in this contract, such as marketing and lobbying.

Counsel recommends that GPA be required to provide a couple of reports on these matters to the PUC. GPA should provide a budget for the entire scope of the EPCM contract and an indication of the total amounts which it intends to expend, the duration and any other tasks. GPA should intend to limit the scope. Public utilities have an obligation to cut costs to the extent that they can and limit tasks to what really is needed. Counsel understands GPA’s need for assistance on the procurement documents but not all of the other tasks may be necessary. Within 60 days, GPA should report to the PUC as what it can do to limit the cost and scope of the Agreement. As to the actual increase of \$650,000 Counsel understands the need for additional work. There were additional land issues, so Counsel is comfortable with recommending approval of that amount.

Commissioner Perez asked what the land issues were. GM Benavente stated that GPA had been attempting to procure land for the new plants. It went out to bid. Neither proponent was qualified. GPA then issued a solicitation of interest. GPA agreed to purchase certain property behind the Harmon substation. The cost is \$10M for 60 acres. The property however is zoned R2. GPA is going through the legislative rezoning process. GM Benavente feels that location of the new power plant in Tumon will “clean the whole island’s air quality many times over.” GPA is attempting to resolve these land issues as soon as possible. GPA is about to open up step one of the bid process for the new generation to determine financial and technical capability qualifications of the bidders. Stanley is placing issues related to the land into the bid specs.

GM Benavente clarified that the original contract price was \$750,000, and GPA was seeking an increase of \$650,000. Commissioner Perez asked whether this amount was inclusive of services already rendered prior to approval. GM Benavente confirmed that it was. GPA needs the help of Stanley in procurement of a three hundred-million-dollar project. GPA is using Stanley in a sparing way as it is not expert in this procurement. GPA may not be looking for a 25 year contract, but wishes to have a contractor on board to ensure that the IPP constructs the plant indicated in the plan. After 25 or 30 years the new power plant will belong to GPA. GPA hasn’t provided a cost estimate yet, but the GM does not believe that it will be substantial. He admits he could be wrong.

Commissioner McDonald asked whether the \$650,000 included the community outreach program. Counsel indicated it was in the contract but was not sure if in that

request it covered community outreach. Counsel indicated that GPA did not mention marketing as a justification for the additional amounts it was requesting.

Commissioner Perez asked whether the \$650,000 would go into effect without PUC knowledge of the details of what the amount covers. Counsel indicated that GPA did provide details in its Resolution. There were other broad matters mentioned in the contract such as marketing and Counsel request that GPA provide more definition to the scope of work.

Commissioner Pangelinan asked GPA Legal Counsel whether Stanley fees were based on hourly rates. GPA Legal Counsel indicated that they were. For different consultants, there were different hourly rates. Commissioner Perez asked whether the subconsultants were local. GPA Counsel Botha indicated that some were and some weren't. He believes that the engineers on Guam do not have the expertise to design specs for a new generation power plant. Commissioner Cantoria asked whether there was a recommendation for approval by a consultant here. Counsel indicated that the first two provisions of the proposed Order do recommend approval of the \$650,000.

Commissioner Montinola wished to make an amendment to change the approved amount to \$300,000.00 until the rest of the scope of work is provided. Commissioner Perez added that the cost should also be provided. Commissioner Montinola indicated that the report should be provided by GPA within 60 days. Commissioner McDonald did not feel that any lobbying or marketing should be included in the budget within the 60-day period. PUC Counsel indicated that GPA was being required to explain future potential spending and an estimate for the contract. Commissioner Pangelinan asked that they should provide more information and detail concerning the \$650,000. Counsel indicated he could add that in. Counsel stated that PUC could request a breakdown on the \$650,000. Commissioner Montinola indicated that there should be a full breakdown as to what comprises the \$650,000

GPA Counsel Botha indicated that the Consultant cost would increase when the bidder responses to Step 1 of the new generation bid are evaluated. Only those bidders selected in Step 1 will move on to Step 2, the Technical Phase. Since there was some specificity in the services to be provided, Commissioner Montinola withdrew his request to amend the increase from \$650,000 to \$300,000. However, Commissioner McDonald moved to approve up to \$600,000, rather than \$650,000. The Chairman indicated that the Commissioners were also requesting further detail on the \$600,000. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the increase in the EPCM Contract, up to the amount of \$600,000, with further reporting conditions. The Commissioners adopted the Order made *Attachment "H"* hereto.

The Chairman announced that the next item of business on the agenda was GPA Docket 18-11, Petition to Approve GPA Use of Bond Financing Savings for GPA's "Bringing Energy Savings to Schools" (BESTS), and Demand Side Management Program, PUC

Counsel Report, and Proposed Order. Counsel indicated that when GPA issued its refunding bonds last year, it appeared that there would be roughly \$11M as savings. The PUC Order approving the issuance of the bonds stated that within 60 days after the bonds were issued, GPA was required to submit a petition to the PUC indicating the purposes for which GPA intended to use those savings. When the Guam Legislature approved the bond issuance, it included a requirement in Public Law 34-69 that “savings from refunding shall be utilized specifically for the benefit of the ratepayers.” GPA indicates that the annual average cash flow savings are \$501,000 for approximately 23 years.

GPA proposes three uses of the savings in its Petition. The first is \$500,000 for implementing its “Bringing Energy Savings to the Schools Program, BEST.” The second is to use the balance of savings through 2021 to fund the GPA Demand Side Management Rebate Program in the amount of \$1,139,000 plus. The third, for the remainder of savings after 2021, almost \$9.9M, would be used to offset the annual debt service cost of the new proposed 180-megawatt power plant. Counsel issued requests for information to GPA, and GPA’s responses have been attached to the Counsel Report. Since the Legislature established the requirement that the savings be utilized specifically for the benefit of the ratepayers, Counsel reviewed each of the three purposes suggested by GPA for the savings to determine whether GPA met the legislative requirement.

From the BEST program, GPA is hiring a contractor, Siemens Industry, Inc., to conduct a feasibility study for the amount of \$219,435.00 for the Guam Department of Education schools. The study will look at energy efficiency, use of renewable energy, and O&M Improvements or CIP Improvements that could be made for electrical equipment. Siemens will also review other energy options. One school will be selected for the purpose of using funds to help the school implement these energy improving efficiencies. Counsel concludes that this purpose is specifically for the benefit of ratepayers. If energy costs in the schools are reduced, that will reduce the overall cost for energy that consumers pay to GPA.

At present, funding is low for the GPA DSM program. It originally had about \$1.8M, but as much as \$1.3M has already been expended. The PUC held in GPA Docket 13-14 that the DSM program “will provide substantial benefits to the ratepayers.” If ratepayers can be encouraged to conserve energy, that may reduce the need for at least some of the new generation capacity. Were the DSM savings substantial enough, perhaps GPA would not need the full 180MW new plants but could do with lesser

capacity. Therefore, the use of bond savings for the GPA DSM program does meet the requirement of specifically benefiting the ratepayers.

The last purpose for which GPA intends to utilize the savings from the bond issuance is approximately \$9.9M from 2021 through 2039 to offset debt service costs for the new 180MW plant. GPA estimates that debt service will be approximately \$17.5M a year, or a total of \$303M, over a 30-year period. In reality this means that approximately \$500,000 a year, the average savings, would be used to offset the \$17.5M annual amount. Such a payment is "*de minimus*." However, it helps. The question is whether the purpose is one that "specifically benefits the ratepayers." In broad sense Counsel believes that such payments will benefit the ratepayers. These debt service costs are hard costs that the ratepayers will have to pay. If the savings from the refinancing are used to offset the debt service, that reduces the amount that would have to come from somewhere else. Counsel concludes that using the savings to offset debt service will benefit the ratepayers. While there might be other more appropriate purposes for use of the savings, GPA has some leeway to decide how to meet the requirements of the legislative criteria. Counsel recommends that the PUC approve the use of bond refinance savings for all three purposes that GPA has set forth in its Petition.

The Chairman asked GM Benavente if, to date, GPA had expended \$1.3M on the DSM program. GM Benavente indicated that was correct. There was \$500,000 remaining. The Chairman asked whether \$1.1M would be added to the \$500,000. GM Benavente indicated that it would. GM Benavente indicated that the DSM program is making a difference and it is now picking up with the use of higher SEER air conditioners. DSM is helping ratepayers to reduce their consumption and their cost. GPA is attempting to do the same thing with DOE. GPA is attempting to implement a DOE program that will reduce power cost. DOE is a \$4M per year customer. The Chairman asked GM Benavente if he had other ideas for funding sources for DSM once the \$1.1M and \$500,000 were expended. GM Benavente indicated that there could be savings from reduction of GPA dependence on oil. This could provide additional funding.

Commissioner Montinola asked GM Benavente if he had an additional fourth idea for the use of the bond savings. GM Benavente said that he did—that idea was to provide some zero-interest cost financing to those customers who cannot afford to change out their air conditioners. Money would be recovered through the GPA bill. The customer would get some portion of the savings and the rest would go back to paying the principal on the investment. This would assist customers that can't afford the new air conditioning. Commissioner Montinola suggested that some of the money could be moved to another program that might have a better impact instead of just debt service.

GM Benavente indicated that GPA was trying to save whatever it could to uphold its promise that there would be no increase of the base rates when the new power plant comes online.

Commissioner Perez asked if the bond refinancing was for \$148,607,000. GPA CFO John Kim indicated that GPA refunded \$150,000,000 of bonds, but the principal for the bonds went down to \$148,000,000. That was the principal amount. Commissioner Perez indicated the interest rate was reduced from 5 down to 4.12. CFO Kim indicated that was the true interest rate. Commissioner Pangelinan asked whether GPA should have to come back to the PUC to request use of the remainder to offset annual debt service, as it was not mentioned in the Petition. Counsel indicated that while the Petition did not emphasize that point, it was included in the CCU resolution approving the use of the savings. Commissioner Pangelinan wondered whether if PUC approved the use now for debt service, whether that would cover the entire savings. PUC Counsel indicated that it would.

Commissioner Pangelinan asked whether GPA would have to come back to PUC to fund the proposed Option 4. Counsel indicated that the Commission could request that. Commissioner Montinola asked whether the savings were not available upfront. Counsel indicated that the savings were annual cash flow. Commissioner Pangelinan asked whether in the questions to GPA, the ALJ had clarified the amount which would be spent from savings for debt service. Counsel indicated that it did. GPA had spelled out the specific use of the savings for debt service on the new plants. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the three specific uses of savings from the bond refinancing proposed by GPA. The Commissioners adopted the Order made *Attachment "I"* hereto.

4. Guam Waterworks Authority

The Chairman indicated that the next item of business was GWA Docket 17-12, Approval of GWA's Amended System Development Charge Implementation Guidelines and Financial Offset Policy, ALJ Report, and Proposed Order. ALJ Alcantara indicated that GWA was requesting approval of amendments to its current system development charge implementation guidelines. The original rules were adopted by the PUC on January 29, 2010. GWA was also required to establish a policy to provide credit offsets to developers provided pertinent conditions were met. The adoption of the Amortized System Development Charge guidelines has affected certain deadlines for payment and for affordable housing. Public Law 32-075 shifted the collection of SDC from the building permit stage to the occupancy permit stage. The ASDC would be available to all customer building a single-family dwelling regardless of income.

The update states an exception that SDCs for single family dwelling may be paid prior to occupancy as opposed to prior to the issuance of the building permit. The update

also indicates that GWA can require a bond for any capital improvement or facility expansion. It includes a provision that GWA may terminate water or waste water service for nonpayment of an amortized SDC. The update provides guidelines for GWA's affordable housing SDC, concerning who qualifies for an affordable housing SDC as well as applicable procedures. The update includes the requirement that all SDC revenues must be placed in a special restricted fund and a requirement that GWA provide the PUC with full accounting of the receipts and expenditures into and from the island water and sewer infrastructure development fund. An accounting must be filed annually for PUC review and approval.

The updated policy also provides developers with an SDC financial offset by constructing any offsite water and/or water infrastructure. Based on the record before the Commission, the ALJ found that the proposed revisions to the SDC implementation guidelines and new SDC financial offset policy have undergone careful scrutiny. The ALJ finds that approval of these two policies will allow GWA to better implement their SDC system as required by the statute. ALJ recommends that the PUC approve the revised SDC implementation guidelines and the SDC financial offset policy.

The Chairman asked GWA GM Bordallo how much money there presently was in the SDC fund. GM Bordallo indicated that it was slightly above \$10M. The Chairman asked how this money would be spent. GWA Counsel Clark indicated it would in the next docket. Commissioner Perez asked whether, regardless of income, anyone doing a single dwelling could opt to pay upfront or amortized. GM Bordallo indicated that was correct. Commissioner Perez asked for clarification concerning the point that ASDC is not transferrable. Engineer Mary Quenga of GWA indicated that ASDC is not transferrable when the house is sold and someone else purchases the property. In such case the remainder of the loan needs to be paid off. Commissioner Perez indicated that the person who purchases the property doesn't pay another ASDC. Ms. Quenga confirmed that was correct. Ms. Quenga's understanding is that the first owner should pay off the loan when he sells the house.

Commissioner Montinola asked whether the interest charge on the system development charge of the 7.5% was a bit high. GM Bordallo indicates that was the recommendation at the time the charge was set up. It was based on the cost of GWA's borrowing. As GWA's credit rating that approves the number. Commissioner Montinola asked whether there was room to bring that down. GM Bordallo indicated there was. According to Mr. Bordallo, Senator Nelson had indicated to GWA that as it improves its credit ratings, and GWA can avail itself with better interest rates, that should also be reflected in the amortization rate. GWA was open to changing the amortization rate. GM Bordallo suggested that the rate was in the public law. Commissioner Cantoria raised a concern that she had only received the report on this matter on the day of the meeting and did not feel that she was ready to vote on the matter. Upon motion duly made, seconded and carried, with one abstention, the Commissioners approved the

revised SDC Implementation Guidelines and the Financial Offset Policy. The Commissioners adopted the Order made *Attachment "J"* hereto.

The Chairman announced that the next item of business was GWA Docket 18-01, Approval of the 7th Amendment of the PMO Contract with Brown & Caldwell, ALJ Report, and Proposed Order. The ALJ indicated that, in November 2017, the Commission considered GWA's petition for approval of a \$2M dollar increase in its program management office contract with Brown & Caldwell. Instead of approving the entire \$2M, the PUC approved an amount of about \$1.3M and conditioned the remaining \$730,000 on GWA's submission of two items. The first was a detailed list of work authorization itemizing specific projects and line items that account for the \$730,000. The second was submission of a PMO elimination plan by GWA by January 31, 2018. On January 31, 2018, GWA submitted its PMO transmission plan. On February 6, 2018, it submitted a supplemental petition to approve the remaining PMO amount.

The supplemental petition included an itemization of projects under the program management support work authorization. The list of work included GWA's implementation of its fat, oil, and grease control, illegal connections, discharge programs, and implementation of backflow prevention to prevent water contamination. The work authorizations also included review of regulations and recommendations to strengthen GWA's authority in imposing penalties and fines to parties that damage GWA assets or commit violations. Other work listed projects include providing GWA with technical guidance regarding procurement of a well pump hoisting rig, and PMO analysis focusing on water leakage at the Tumon-Maui well. The PMO will assist GWA in developing a feasibility study related to the disinfection system at the Hagatna waste water treatment plant, and development of a curriculum for employee training on improving utility performance.

With regard to the PMO Elimination Report, GWA indicates that their only four outstanding items required by the Court order which GWA anticipates completing with reduced PMO engagement. All project-related work will be completed by the end of 2018. Only general program management services will extend until February 2019, which is the end of the PMO contract. In order to continue progress beyond the PMO, GWA is currently recruiting engineers and has hired an engineer to provide technical, engineering support for work provided by the PMO. GWA will still require assistance with engineering services, construction, and specialty consulting on complex projects even after the PMO is eliminated. It will utilize usual procurement methods for these services.

The ALJ found that GWA's submission of itemization of specific projects to account for the \$730,000 increase, as well as the filing of their PMO Elimination Plan, were sufficient to satisfy the conditions indicated in the PUC's November 30, 2017 Order. The ALJ recommends that PUC approve the additional funding for the PMO contract in the

amount of \$730,535, for the program management support 2017-2018 work authorization. He further recommends that GWA should be ordered to report at each monthly PUC meeting its activities regarding the prevention of water loss as well as the status of each PMO project.

Commissioner Montinola asked GWA about water loss. GM Bordallo acknowledged that is an issue, but he did not see the connection between reporting on water loss and what is left on the PMO contract. As an alternative, GM Bordallo proposed quarterly updates. The Chairman asked the ALJ whether quarterly reports had been required by the PUC rather than monthly. The Chairman indicated that quarterly reports would be sufficient. The Order should be changed to reflect that. The Chairman stated that PUC was also interested in progress on the wells and meters. With the amendment, upon motion duly made, seconded and unanimously carried, the Commissioners approved additional funding for the PMO contract in the amount of \$730,535.00, and adopted the Order made *Attachment "K"* hereto.

The Chairman announced that the final item of business for GWA was GWA Docket 18-03, Approval of the Acquisition of 17 Acres for Expansion of the Northern District Wastewater Treatment Plant, ALJ Report, and Proposed Order. The ALJ indicated that GWA sought the acquisition of 17 acres of land for the expansion of the Northern District Wastewater Treatment Plant. GWA states that it faces an increasing volume of wastewater produced by the residential and commercial expansion of the Northern part of the island, due in part to the increasing military footprint on Anderson Air Force Base. GWA maintains that USEPA will require a secondary treatment facility be added to the Northern District Wastewater Plant to comply with national clean water and discharge elimination system permit program.

GWA intends to purchase property northwest of the Northern District Wastewater Treatment Plant, across an easement which is owned by the Guam Ancestral Lands Commission. GWA maintains that the purchase will allow it to meet the necessary improvements to the Northern District Wastewater Treatment Plant. The total cost of the purchase of the property is \$2,542,922. The cost was based upon appraisals indicating the fair market value of the property. Public Law 32-188 authorized the Guam Ancestral Lands Commission to transfer the property identified as Anderson Communication Annex Number 1 to GWA for the construction of the upgrade and expansion of the existing wastewater treatment plant to include, but not be limited to, oxidation and odor control. The ALJ found, based upon the record, that the purchase of the property is prudent and necessary for GWA to adequately service the current and future increase in wastewater flow produced in the Northern part of the island. The purchase of the property will also ensure that the Federal NPDS permit program requirements will be met. The ALJ recommends that the PUC approve the purchase for the total cost of \$2,542,922.00. GWA should be authorized to utilize its system development charge fund proceeds to help fund this purchase of property.

GM Bordallo indicated that two projects had been certified using SDC funds. The other is the Tumon No. 2 tank, the Nissan tank. That amount was about \$200,000. Legal Counsel Horecky asked whether GWA was suppose to get PUC approval for any expenditure of funds. GWA Attorney Kelly Clark indicated that there is an ALJ opinion from 2010 indicating that GWA does not need PUC approval. Commissioner Perez asked whether GWA would be seeking the other funding for the wastewater plant through SDC. GM Bordallo indicated that was all grant-funded. Commissioner Perez indicated that, if the PUC approves the new power plant, GPA would work with GWA to use the effluent water for the cooling system. GM Bordallo concurred. Commissioner Perez asked how old the Northern Wastewater Plant was. GWA Attorney Clark indicated it was built in 1974. It has been upgraded a few times. GM Bordallo indicated the plant will have UV disinfection.

Chairman Johnson suggested that GWA should make sure that expenditures from the system development fund comply with the purposes of the statute. GM Bordallo indicated that there were some other planned expenditures for SDC funds indicated in GWA's CIP program and bond reallocation reports. PUC Legal Counsel indicated that the SDC Implementation Guidelines, under the definition of Island Water and Sewer Infrastructure Development Fund, state that the Commission is required to give advance approval for any use of the SDC funds. GWA Counsel Clark claimed that GWA wasn't required to obtain approval because of a prior opinion by ALJ Mair. Legal Counsel Horecky pointed out that the requirement for prior PUC approval is in the very SDC implementation guidelines that GWA just filed. The rule is the rule. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the use of SDC funds for the acquisition of 17 Acres for expansion of the Northern District Wastewater Treatment Plant, and approved the Order made *Attachment "L"* hereto.

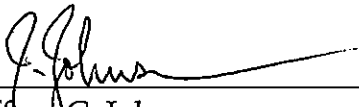
5. Administrative Matters

PUC Counsel indicated that he and Administrator Palomo had prepared the FY2017 Citizen Centric Report. The most important take away is that PUC professional fees decreased by 21% from last year, from about \$700,000 down to \$551,000. That is the lowest amount since 2010 and probably even further back. Commissioner Perez asked when the report was due with the Office of Public Accountability. Counsel indicated that it was not due until September. PUC usually files in March or April. The Chairman indicated that in the last three years PUC dropped its administrative cost by about 10% and its regulatory cost by more than 50%. He wondered what other Board or Commission of the Government could state that. There are savings for the ratepayers.

The Chairman then stated that Resolution No. 18-01, Authorizing the PUC to Issue a Request for Proposals for the Retention of Professional Consultants, was before the Commissioners. Counsel indicated that all PUC consulting contracts are either already

expired or up this year. Consultants have to be retained no later than the end of September. It should be done earlier. Counsel indicated that May 1 is a date when all the procurements should be ready and published in the newspaper. This will include consultant contracts for water, power, port, solid waste, telecom, ALJ, and Legal Counsel. Counsel has already begun to prepare these documents. The PUC will have more work with the Solid Waste Authority in the near future. Counsel indicates that final selection should be made by the end of August. Counsel also mentioned the possibility of in-house Legal Counsel for the PUC. Counsel believes it is good to have consultants that can be utilized when necessary. The Resolution appoints the Commissioners as a proposal Selection Committee. Upon motion duly made, seconded and unanimously carried, the Commissioners approved Resolution 18-01 and the issuance of RFPs for Consultants, ALJ, and Counsel.

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



Jeffrey C. Johnson
Chairman

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
SUITE 202, GCIC BUILDING
414 W. SOLEDAD AVE., HAGATNA, GUAM
6:30 p.m., March 29, 2018**

Agenda

- 1. Approval of Minutes of February 22, 2018**
- 2. TeleGuam Holdings LLC**
 - **GTA Docket 17-07, Amended PUC Rules on Regulatory Fees for Telecom Companies, Ratification of Chairman's Order approving Amended PUC Rules on Regulatory Fees for Telecom Companies**
 - **Administrative Docket, Ratification of Chairman's Order approving Amendment of Assessment Order regarding Assessment for Telecommunications Companies**
 - **GTA Docket 18-01, Joint Petition of TeleGuam Holdings, LLC, And Pacific Data Systems Inc. for Arbitration of Interconnection Agreement, Administrative Law Judge Report, and Order Approving Interconnection Agreement**
- 3. Guam Power Authority**
 - **GPA Docket 18-06, Petition to Approve Phase II Renewable Award to KEPCO-LG CNS Consortium, PUC Counsel Report, and Ratification of Chairman's Order Approving Phase II Renewable Award to KEPCO-LG CNS Consortium**
 - **GPA Docket 18-08, Petition to Approve Phase II Renewable Award to HANWA ENERGY CORPORATION, PUC Counsel Report, and Proposed Order Approving Phase II Renewable Award to HANWA ENERGY CORPORATION**
 - **GPA Docket 18-09, Petition to Increase EPCM Contract, PUC Counsel Report, and Proposed Order**
 - **GPA Docket 18-10, Petition to Approve Contract Extension for Tristar Terminals Guam, Inc., for Dock, Pipeline, and Fuel Storage Facility, PUC Counsel Report, and Proposed Order**
 - **GPA Docket 18-11, Petition to Approve GPA's Use of Bond Financing Savings for GPA's "Bringing Energy Savings to Schools" (BESTS) and Demand Side Management Program, PUC Counsel Report, and Proposed Order**

4. **Guam Waterworks Authority**
 - **GWA Docket 17-12, Approval of GWA's Amended System Development Charge Implementation Guidelines and Financial Offset Policy, ALJ Report, and Proposed Order**
 - **GWA Docket 18-01, Approval of 7th Amendment of PMO Contract with Brown and Caldwell, ALJ Report, and Proposed Order**
 - **GWA Docket 18-03, Approval of Acquisition of 17 Acres for Expansion of ND WWTP, ALJ Report, and Proposed Order**
5. **Administrative Matters**
 - **FY 2017 Citizen Centric Report**
 - **PUC Resolution 18-01, AUTHORIZING THE PUBLIC UTILITIES COMMISSION TO ISSUE REQUESTS FOR PROPOSALS FOR THE RETENTION OF PROFESSIONAL CONSULTANTS TO ADVISE IT WITH REGARD TO REGULATION OF THE WATER, POWER, PORT, SOLID WASTE AND TELECOMMUNICATIONS COMPANIES/UTILITIES; AND FOR ADMINISTRATIVE LAW JUDGE AND LEGAL COUNSEL**
6. **Other Business**

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



In the Matter of:)	
)	GTA Docket 17-07
Petition of TeleGuam Holdings LLC)	
requesting Reconsideration of the PUC)	ORDER APPROVING AMENDED
Rules Governing Regulatory Fees for)	RULES GOVERNING
Telecommunications Companies.)	TELECOMMUNICATIONS
)	COMPANIES
_____)	
Guam Telecommunications)	Docket 05-01
Act of 2004)	
)	RULES GOVERNING REGULATORY
)	FEES FOR TELECOMMUNICATIONS
)	COMPANIES
_____)	

ORDER OF RATIFICATION

This matter comes before the Guam Public Utilities Commission ["PUC"], upon the ORDER signed herein by Acting Chairman Andrew L. Niven on February 22, 2018.

Pursuant to the PUC Order herein dated January 30, 2018, the Administrative Law Judge revised the PUC Rules governing Regulatory Fees for Telecommunications Companies, to incorporate new Administrative Fee provisions in accordance with the Stipulation of the Parties in this proceeding. Such Rules establish an annual Administrative Fee Baseline Assessment for Telecommunications Companies, and further establish the manner in which annual PUC Administrative Fees will be billed to the Telecommunications Companies.

Since the PUC did not have a quorum at its meeting on February 22, 2018, the Acting Chairman determined that the AMENDED RULES GOVERNING TELECOMMUNICATIONS COMPANIES should be adopted and approved, effective February 1, 2018. The AMENDED RULES were adopted subject to ratification by the Commission.


The Commission has reviewed the AMENDED RULES GOVERNING TELECOMMUNICATIONS COMPANIES and determines that said Rules fairly incorporate the Stipulation of the Parties in this proceeding to establish a baseline

ATTACHMENT B

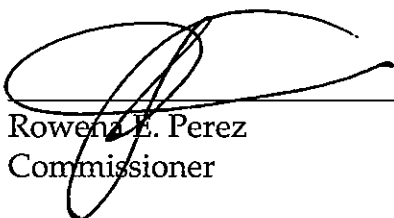
Assessment for such companies. The Rules have been revised in a manner consistent with the prior determinations in this proceeding.

The Acting Chairman's Order is hereby ratified and approved. The AMENDED RULES GOVERNING TELECOMMUNICATIONS COMPANIES are adopted and approved, effective February 1, 2018.

Dated this 29th day of March, 2018.




Jeffrey C. Johnson
Chairman




Rowena E. Perez
Commissioner


Michael A. Pangelinan
Commissioner



Filomena M. Cantoria
Commissioner



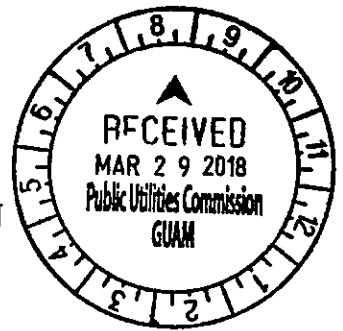
Joseph M. McDonald
Commissioner



Peter Montinola
Commissioner

Andrew L. Niven
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



COMMISSION ADMINISTRATIVE
DOCKET

ORDER OF RATIFICATION

This matter comes before the Guam Public Utilities Commission ["PUC"], upon the AMENDMENT TO ASSESSMENT ORDER signed by Acting Chairman Andrew L. Niven on February 22, 2018. In said Amendment to Assessment Order, the Acting Chairman, pursuant to 12 GCA Sec. 12105(b), amended the PUC ASSESSMENT ORDER dated September 28, 2017, to revise assessments due from regulated utilities for administrative expense for the PUC for FY2018.

The revisions to the Assessments were in accordance with the AMENDED RULES GOVERNING REGULATORY FEES FOR TELECOMUNICATIONS COMPANIES, adopted in GTA Docket 17-07.

The Acting Chairman's Order only amended paragraph 2 of the September 28, 2017 Order, and set forth the apportioned assessments due from each of the five Telecommunication Companies to the PUC for FY2018.

The Acting Chairman signed the AMENDED ASSESSMENT ORDER because the Commission lacked a quorum to approve the same. The ORDER was adopted subject to ratification by the Commission.

The Commission has reviewed the AMENDMENT TO ASSESSMENT ORDER of the Acting Chairman dated February 22, 2018. The Commission finds that the apportionment of assessments as set forth in the Acting Chairman's AMENDMENT TO ASSESSMENT ORDER is in accordance with the proceedings in GTA Docket 17-07 and the AMENDMENT RULES GOVERNING REGULATORY FEES FOR TELECOMMUNICATIONS COMPANIES, and approves the same.

The Acting Chairman's AMENDMENT TO ASSESSMENT ORDER, dated February 22, 2018, is hereby ratified and approved.

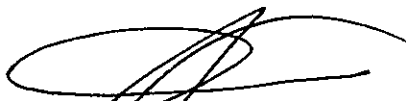
[SIGNATURES TO FOLLOW ON NEXT PAGE]

ATTACHMENT C

Dated this 29th day of March, 2018.



Jeffrey C. Johnson
Chairman

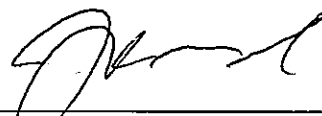


Rowena E. Perez
Commissioner

Michael A. Pangelinan
Commissioner



Filomena M. Cantoria
Commissioner



Joseph M. McDonald
Commissioner



Peter Montinola
Commissioner

Andrew L. Niven
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GTA DOCKET 18-01
)
THE JOINT PETITION OF TELEGUAM)
HOLDINGS LLC AND PACIFIC DATA) ORDER APPROVING
SYSTEMS INC FOR ARBITRATION OF) INTERCONNECTION AGREEMENT
INTERCONNECTION AGREEMENT)
_____)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the request of TeleGuam Holdings LLC ["GTA"], submitted to Pacific Data Systems, Inc. ["PDS"] on April 28, 2017, pursuant to 47 U.S.C. §§251 & 252.

PROCEDURAL HISTORY

2. On October 3, 2017, the Parties submitted to the PUC a Joint Petition for Arbitration of issues relating to their Fourth Interconnection Agreement ["ICA"].
3. On December 15, 2017, the remaining open issues came before the Administrative Law Judge ["ALJ"] for formal arbitration. Both Parties submitted Exhibits into evidence, and the ALJ received testimony and argument from the Parties.
4. On January 12, 2018, the ALJ issued his Recommendations to the PUC concerning each of the remaining issues pursuant to the Rules for Practicing Procedure before the Commission and Interconnection Implementation Rule 4(h).
5. Pursuant to its Order dated February 1, 2018, the PUC adopted the recommendations of the ALJ concerning the remaining eighteen (18) open issues in

ATTACHMENT D

the negotiations between the Parties on the fourth ICA. A true and correct copy of the Order is attached hereto as Exhibit "1".

6. In adopting the ALJ Recommendations, the PUC found that the ICA must be revised to address changes that GTA had made to the current network architecture with regard to the nomenclature for loops and sub-loops, as well as pricing.

DETERMINATIONS

7. On March 28, 2018, GTA and PDS filed their final, executed Interconnection Agreement with the PUC.
8. In accordance with the present review and recommendation of the ALJ, it appears that GTA and PDS have incorporated the revisions ordered by the PUC in its Order dated February 1, 2018, to the ICA.
9. The Parties have successfully negotiated all necessary textual revisions to the Agreement and have resolved pending issues. The execution of the Agreement by PDS and GTA indicates that they have reached final and complete resolution of any issue concerning the acceptability of their new Interconnection Agreement.
10. The Agreement does not discriminate against a telecommunications carrier not a party to the Interconnection Agreement pursuant to the standards set forth in 47 USC §252[e][2][A].
11. The Agreement is consistent with the public interest, convenience and necessity. It clarifies arrangements for the provision of colocation services by GTA to PDS regarding UNE loops and sub-loops services. In accordance with the Guam Telecommunications act of 2004, it is in the public interest to provide the people of

Guam with modern, innovative, accessible, and affordable telecommunication services and products.

12. The Parties have negotiated a Pricing Attachment, which is attached to the ICA. The Pricing Attachment sets forth various charges for Unbundled Network Element Loops and Sub-loops and other services/entrance facilities.
13. These rates and charges were negotiated by the Parties and adopted pursuant to, and in accordance with, the Orders and TELRIC Study approved by the PUC in PDS Docket 14-01.
14. The PUC finds that the rates included in the Pricing Attachment are just and reasonable.

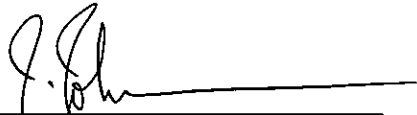
ORDERING PROVISIONS

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

1. The Interconnection Agreement between GTA and PDS, executed on March 28, 2018, is approved pursuant to 47 USC 252[e][4].
2. The Parties are ordered to carry out their duties and obligations as set forth in the Interconnection Agreement and in the Determinations and Ordering Provisions herein.

3. The PUC approves the "Pricing Attachment" attached to the ICA, finding that the rate set forth therein are just and reasonable, and in accordance with the TELRIC Study undertaken in PDS Docket 14-01.
4. In the event that the Parties revise, modify, or amend the Interconnection Agreement approved herein, the revised, modified or amended Interconnection Agreement shall be submitted to the PUC for approval pursuant to 47 USC 252[e][1] prior to taking affect.
5. GTA and PDS are ordered and directed to each pay one-half of the PUC's regulatory expenses and fees in this Docket.

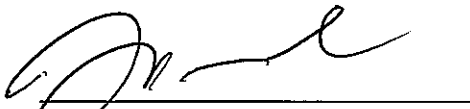
Dated this 29th day of March, 2018.



Jeffrey C. Johnson
Chairman

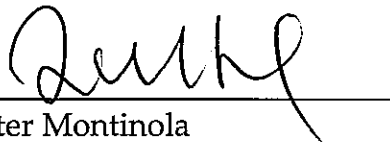


Rowena E. Perez
Commissioner



Joseph M. McDonald
Commissioner

Michael A. Pangelinan
Commissioner



Peter Montinola
Commissioner



Filomena M. Cantoria
Commissioner

Andrew L. Niven
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GTA DOCKET 18-01
)
THE JOINT PETITION OF TELEGUAM)
HOLDINGS LLC AND PACIFIC DATA) ORDER
SYSTEMS INC FOR ARBITRATION OF)
INTERCONNECTION AGREEMENT)
_____)



INTRODUCTION

This matter comes before the Guam Public Utilities Commission ["PUC"] upon Recommendations issued by Administrative Law Judge ["ALJ"] Frederick J. Horecky on January 12, 2018, which is made *Attachment "A" hereto*, in the arbitration proceedings in this Docket.

On April 28, 2017, pursuant to 27 U.S.C. §§ 251 and 252, TeleGuam Holdings, LLC ("GTA") submitted to Pacific Data Systems, Inc. ("PDS") a request to negotiate the Interconnection Agreement ("ICA") between the Parties. Since 2007, the Parties have entered into a series of ICAs to formalize their obligations under the 1996 Federal Telecommunications Act. The Parties are now in the process of negotiating their fourth ICA.

On October 3, 2017, the Parties submitted to the Guam Public Utilities Commission ("PUC") a Joint Petition for Arbitration of issues. On November 22, 2017, GTA and PDS submitted their joint list of remaining issues for arbitration in this matter.

On December 15, 2017, the remaining issues came before the ALJ for formal arbitration. Both Parties submitted Exhibits into evidence, and the ALJ received testimony and argument from the Parties.

On January 12, 2018, the ALJ issued his Recommendations to the PUC concerning each of the remaining issues pursuant to the Rules for Practice and Procedure before the Commission and Interconnection Implementation Rule 4(h).

RECOMMENDATIONS OF THE ALJ

The PUC hereby adopts the Recommendations of the ALJ concerning the remaining eighteen (18) open issues in the negotiations between the Parties on the fourth ICA. The Commission concludes that the ALJ has fairly and equitably reviewed the remaining disputes between the Parties, and that his Recommendations will result in a final ICA that fully takes into account the interests of both Parties. In particular, the ICA must be revised to address changes that GTA has made to the current network architecture with regard to the nomenclature for loops and sub-loops, as well as their pricing.

The PUC previously recognized that GTA would be able to incorporate the new terminology “sub-loop” in the Interconnection Agreement, and to alter its billing and provisioning terminology as necessary to reflect its network architecture.

ORDERING PROVISIONS

The PUC is required to issue a final order accepting or rejecting, in whole or in part, the recommendations of the Arbitrator [ALJ] within ten (10) days after the

recommendation has been filed. Having considered the record of the proceedings herein, the pleadings of the Parties and the ALJ Recommendations, and good cause appearing, the Guam Public Utilities Commission hereby **ORDERS** as follows:

1. The recommendations of the Administrative Law Judge dated January 12, 2018, are adopted.
2. Proposed Sections 1.1.1, 1.1.2, and 1.1.3 of the **GENERAL TERMS AND CONDITIONS** (Issues 3A and 3B) shall be included in the ICA; Sections 2.1 through 2.9 of the **INTERCONNECTION ATTACHMENT (ISSUE 49)** shall also be included in the ICA. These provisions accurately state the mutual obligations of the Parties (ILEC and CLEC) under the ICA.
3. Proposed Sections 2.1 through 2.9 of the **INTERCONNECTION ATTACHMENT (Issue 49)** shall be included in the ICA; these provisions more carefully define the local/extended area service that is subject to the ICA, and identifies and prohibits improper telecommunications practices.
4. Paragraph 28 of the ICA concerning the Notice of Network Changes (ISSUE 12) shall remain as is in the current ICA, with the addition of direct notice to the affected party. The amended provision will now provide adequate notice of network changes to the Parties.
5. Sections 2.64 and 2.66 concerning **GLOSSARY TERMS "Loop" and "Main Distribution Frame (MDF)"** (ISSUES 21 and 28) shall be included in the ICA.

These terms, as defined, accurately describe the functions of these elements in the GTA network.

6. The definition of Remote Equipment Center (REC) in Section 2.94 of the GLOSSARY shall be expanded to include a functional definition of what a REC is, and how it functions in GTA's Network.
7. A revised Collocation Attachment, Exhibit "A", shall continue to be included in the new ICA to assist in the definition of a REC (ISSUES 77 and 78). The Collocation Attachment shall be revised in accordance with the ALJ recommendations.
8. Section 5.5, Demarcation Point, in the Collocation Attachment, shall indicate what the connection point is in the REC, if not an "MDF"; if the MDFs at the RECs are "Feeder Distribution Interfaces" ("FDIs"), this should be specified in Section 5.5.
9. The changes proposed by GTA in provisions concerning "sub-loops" in the ICA shall be included in the new ICA. A "Sub-loop Feeder Facility", as defined in § 2.107 of ICA shall be eliminated (ISSUE 14).
10. The Glossary Definitions of "Sub-Loop", "Sub-Loop REC", and "Sub-Loop Non-REC" (Sections 2.102, 2.10X and 2.10Y) shall be adopted, as they are in accord with network changes that GTA has made.
11. The deletions in Section 2 of the Network Elements Attachment for certain services no longer provided, such as Inside Wire, Dark Fiber Transport, and Dedicated Transport, are approved; these provisions shall no longer be required in the ICA (ISSUE 59). Also, loops and sub-loops need only be available to PDS "where Home

Run Copper Facilities are available” (ISSUE 60). GTA does not have an obligation to offer Hybrid Loops using IP feeder to PDS, nor to offer IP services.

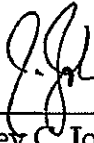
12. Proposed Section 4.1 of the Network Elements Attachment clarifies that GTA is only required to provide access to a sub-loop distribution facility to PDS in accordance with Applicable Law and the Arbitration Order (ISSUE 65). This proposed section shall be included in the ICA. The definitions of Sub-loop in Section 4.1.1 of the Network Elements Attachment shall also be included in the ICA.
13. The Pricing Attachment, GTA Exhibit 5, is approved and shall be included in the ICA (ISSUE 85).
14. Proposed provision Section 1.5 of the Network Elements Attachment, which provides that GTA may discontinue provision of UNEs if a requirement for provision of such UNEs is altered by Applicable Law (ISSUE 58). Such provision shall be included in the ICA, as it is consistent with current law.
15. The proposal for alteration of loop testing procedures to provide for “pass/fail indications”, as proposed in Section 3.4.1 (ISSUE 62) is not adopted and shall not be included in the ICA. GTA has not demonstrated that there is a need to change or alter existing testing procedures.
16. GTA’s proposal in Section 4.2.1.5 of the Service Order Attachment to change the installation interval for the provision of UNE loops or sub-loops shall not be included in the ICA (ISSUE 100). GTA has not demonstrated that the present

installation interval requirements are burdensome, or that GTA has been unable to comply with them.

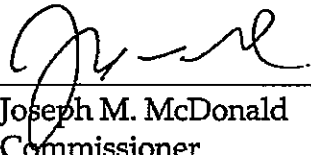
17. GTA and PDS shall equally share the regulatory fees and expenses incurred in the Docket, including without limitation, Counsel and ALJ fees and expenses, and including fees and expenses for conducting the hearing/arbitration process.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

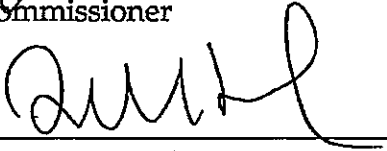
SO ORDERED this 1st day of February, 2018.



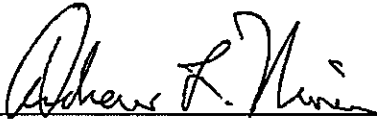
Jeffrey C. Johnson
Chairman



Joseph M. McDonald
Commissioner

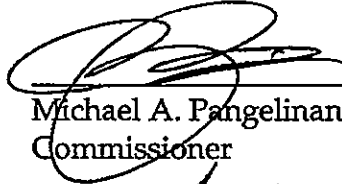


Peter Montinola
Commissioner



Andrew L. Niven
Commissioner

Rowena E. Perez
Commissioner



Michael A. Pangelinan
Commissioner



Filomena M. Cantoria
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 18-06
)
The Application of the Guam Power for) ORDER OF RATIFICATION
Approval of Phase II Renewable)
Acquisition.)
_____)

This matter comes before the Guam Public Utilities Commission [PUC], upon the ORDER signed herein by Acting Chairman Andrew L. Niven on February 22, 2018.

In the PUC Counsel Report dated February 16, 2018, Counsel recommended that the PUC approve GPA's request to award KEPCO-LG CNS a renewable acquisition for two 30MW renewable solar energy plants. Counsel found that the plants will provide substantial savings to GPA over the term of the renewable energy contracts, as the rates for such renewable energy are significantly lower than the current and projected LEAC rates.

The energy prices under the renewable energy contracts proposed with KEPCO escalate at no more than the 1% annually.

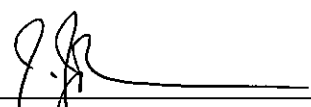
The Acting Chairman determined that he should approve the award of the two 30MW renewable solar energy plants to KEPCO-LG CNS, pursuant to 12 GCA §12105 (b), based upon GPA's stated desire to proceed ahead as soon as possible in order to realize the savings from the renewable energy projects.

The Order of the Acting Chairman was subject to ratification by the Commission.


The Commission has reviewed the PUC Counsel Report dated February 19, 2018 and determines that it was appropriate for the Acting Chairman to approve the project. GPA has demonstrated a need to proceed with the award as soon as possible to achieve the projected savings from the renewable energy.

The Chairman's Order is hereby ratified and approved.

Dated this 29th day of March, 2018.




Jeffrey C. Johnson
Chairman

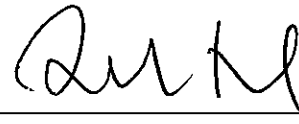


Joseph M. McDonald
Commissioner

Order
Approval for GPA Phase II
Renewable Acquisition
GPA Docket 18-06
March 29, 2018



Rowena E. Perez
Commissioner



Peter Montinola
Commissioner

Michael A. Pangelinan
Commissioner



Filomena M. Cantoria
Commissioner

Andrew L. Niven
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 18-08
)
The Application of the Guam Power for) ORDER
Approving the Phase II Renewable)
Acquisition Award for GPA to Hanwha.)
_____)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [PUC] upon the Petition of the Guam Power Authority ["GPA"] for Approval of the Phase II Renewable Acquisition Award to Hanwha Energy Corporation.¹
2. GPA proposes to enter into contracts with Hanwha Energy Corporation ("Hanwha") for the construction of two 30MW solar PV projects in Dandan, Inarajan. Under the contracts, GPA will purchase roughly 144,000 MWH Net Annual Generation.²
3. There are two separate contracts. Under Proposal 1, GPA will purchase roughly 72,000 MWH Net Annual Generation at a price of \$62.45 per MWH.³ Under Proposal 2, GPA will purchase roughly 72,000 MWH Net Annual Generation at a price of \$65.99 per MWH.⁴

BACKGROUND

4. On June 26, 2014, the PUC authorized GPA to solicit competitive bids for up to 40MW of renewable energy in its Phase II Renewable Acquisition.⁵
5. In May 2016, GPA announced its Multi-Step Bid GPA-070-16 for 60MW of Renewable Energy Capacity with Energy Storage System for ramp control.⁶

¹ GPA Petition for Approval of the Phase II Renewable Acquisition Award to Hanwha Energy Corporation, GPA Docket 18-08, filed March 9, 2018.

² Guam Consolidated Commission on Utilities, Resolution No. 2018-04, Resolution Relative to Approval of the Phase II Renewable Energy Acquisition Award to Hanwha Energy Corporation, for 60MW of Renewable Energy Capacity, adopted February 27, 2018, at Exhibit A.

³ Id.

⁴ Id.

⁵ PUC Order, Procurement of Phase II Renewable Acquisition, GPA Docket 14-11, dated June 26, 2014, at p. 3.

⁶ GPA Petition for Approval of the Phase II Renewable Acquisition Award to Hanwha Energy Corporation, GPA Docket 18-08, filed March 9, 2018, at p. 1.

6. GPA had advised the PUC both informally and in writing of its intent to seek 60MW of renewable energy capacity in its Phase II Renewables program.
7. GPA obtained price bids in January 2017 and determined that it wished to award renewable energy resource contracts up to 120MW. GPA felt that the increase in Megawatt power for award was justified because of the favorable price of solar power in comparison to fuel oil generated power under LEAC.⁷
8. Two bidders, KEPCO-LG CNS and Hanwa Energy Corporation were selected to provide two plants each, or 60 MW, totaling 120MW of solar PV capacity.⁸
9. GPA determined that it was advisable to procure 120MW of renewable solar PV energy. The two proposed contracts with Hanwha, as those with KEPCO, have a 25-year term with annual escalator of the 1% on a renewable energy price.
10. GPA intends to pay for the energy produced by the Hanwha 60MW plant through the Levelized Energy Adjustment Clause, which means that the cost of solar power purchased by GPA under the contract will be included in the fuel cost used to determine the customer LEAC rates.
11. As indicated, the contract will require the installation of Ramp Rate Control, in accordance with Appendix C of the proposed contracts. Hanwha will also be required to comply with interconnection requirements under the proposed Interconnection Agreement, which is still being negotiated.
12. On February 27, 2018, the CCU approved the award of two 30MW proposals, totaling 60MW for Phase II Renewable Acquisition projects, to Hanwa Energy Corporation and authorized GPA to seek contract review approval for the projects with the PUC.⁹

⁷ PUC Counsel had discussions with GPA Counsel Graham Botha and Assistant GM John Cruz in January or February of 2017 concerning the interest of GPA in procuring 120 MW of additional solar power in Phase II of the Renewables Program.

⁸ GPA Petition for Approval of the Phase II Renewable Acquisition Award to KEPCO-LG CNS Consortium, GPA Docket 18-06, filed January 24, 2018, at p. 1.

⁹ Guam Consolidated Commission on Utilities, Resolution No. 2018-04, Resolution Relative to Approval of the Phase II Renewable Energy Acquisition Award to Hanwha Energy Corporation, for 60MW of Renewable Energy Capacity, adopted February 27, 2018, at p. 4.

13. PUC Counsel filed his Report herein on March 23, 2018, which Report is adopted by the PUC.

DETERMINATIONS

14. GPA has considerably increased the amount of renewable energy resources that it now intends to include within the island wide power system. The driver for such increase appears to be the lower price for renewable energy as compared with traditional fossil fuel energy.
15. Renewable energy is “an effective hedge against rising fuel oil prices.” As the Commission has witnessed in recent LEAC proceedings, fuel prices have been increasing.
16. The Hanwha proposals should provide substantial savings to GPA over the term of the contracts based on current and projected LEAC rates.¹⁰
17. Public Law 29-62 set certain “Renewable Portfolio Standards”, which required GPA to establish portfolio goals, *inter alia*, of twenty-five percent (25%) of its net electricity sales by December 31, 2035.¹¹
18. With its proposed 120MW of solar energy, it appears that GPA will greatly exceed the legislative renewable portfolio standards. It is anticipated that, by 2020, 26% of GPA’s sales will be through renewable energy production.¹²
19. Furthermore, the energy prices under the renewable energy contracts are fixed with escalations of no more than the 1% annually.¹³
20. GPA must continue to justify amount of generation capacity which it has procured. With over 200MW of solar energy proposed, new generation of 180MW, and 400MW of existing fossil fuel energy resources, there is an issue of whether there is an excess of needed power production resources.

¹⁰ Id.; Hanwha’s prices per MWH are roughly \$20 less expensive per MWH.

¹¹ Public Law 29-62 enacted March 25, 2008, Section 2 (12 GCA §8311).

¹² Guam Consolidated Commission on Utilities, Resolution No. 2018-04, Resolution Relative to Approval of the Phase II Renewable Energy Acquisition Award to Hanwha Energy Corporation, for 60MW of Renewable Energy Capacity, adopted February 27, 2018, at Exhibit D.

¹³ Id. at p. 2.

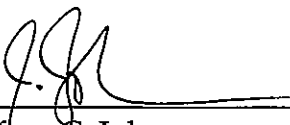
21. GPA will need to justify the total mix of energy resources that it is proposing, and that it is not procuring more generation capacity than necessary.
22. With regard to the proposed contract with Hanwha, there are new provisions which require energy storage and ramp control. It is desirable that GPA will require Hanwha to provide energy storage facilities enabling the shifting of solar energy to peak hour use.
23. In general, the proposed contracts are based upon earlier renewable energy contracts, such as the NRG contract, and appear to be well written and provide numerous provisions that protect GPA and its ratepayer interests in the event of contractor default. The provisions appear to be standard and commercially reasonable.

ORDERING PROVISIONS


After review of the record herein, including GPA's Petition for PUC Approval of the Phase II Renewable Acquisition Award, and the PUC Counsel Report, for good cause shown, on Motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. The Petition of the Guam Power Authority ["GPA"] for Award of the Phase II Renewable Acquisition Contract for two 30MW plants to Hanwa Energy Corporation is approved.
2. GPA shall file a copy of the final executed contract with the PUC.
3. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 29th day of March, 2018.



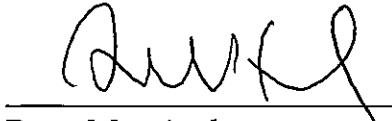
Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner


Order
Approval for GPA Phase II
Renewable Acquisition
GPA Docket 18-08
March 29, 2018




Joseph M. McDonald
Commissioner

Peter Montinola
Commissioner

Andrew L. Niven
Commissioner



Michael A. Pangelinan
Commissioner

Filomena M. Cantoria
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 18-10
)
The Application of the Guam Power) ORDER
Authority to Approve the Contract)
Extension with Tristar Terminals Guam,)
Inc. for the Dock Facility User Agreement,)
Pipeline Agreement, and Fuel Storage)
Agreement for GPA)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] for the contract review and approval of the Contract Extension with Tristar Terminals Guam Inc., for the Dock Facility User Agreement, Pipeline Agreement, and Fuel Storage Agreement for GPA.¹

BACKGROUND

2. On July 30, 2013, the PUC approved the Dock Facility User and Pipeline agreements between GPA and Tristar Terminals Guam Inc. [hereinafter "Tristar"].²
3. On September 24, 2013, the PUC approved the Storage Agreement between GPA and Tristar.³
4. All three agreements had a contract term for the period of September 1, 2013 through August 31, 2018. Each of the three agreements terminates on August 31, 2018.⁴
5. In its present Petition, GPA seeks to extend the term of the three contracts for four years, from September 1, 2018 to August 31, 2022.
6. The Guam Consolidated Commission on Utilities, in Resolution No. 2017-43 approved the contract extension for Dock Facility User Agreement, Pipeline

¹ GPA Petition for Review and Approval of Contract Extension with Tristar Terminals Guam Inc. for the Dock Facility User Agreement, Pipeline Agreement, and Fuel Storage Agreement for GPA, GPA Docket 18-10, filed March 13, 2018.

² PUC Order, GPA Docket 13-11, dated July 30, 2013, at p. 5.

³ PUC Supplemental Order, GPA Docket 13-11, dated September 24, 2013, at p. 3.

⁴ GPA Petition for Review and Approval of Contract Extension with Tristar Terminals Guam Inc. for the Dock Facility User Agreement, Pipeline Agreement, and Fuel Storage Agreement for GPA, GPA Docket 18-10, filed March 13, 2018, at p. 1.

Agreement, and Fuel Storage Agreement for a 4-year period through August 31, 2022.⁵

7. GPA essentially utilizes the services of Tristar for three different purposes: (1) the Pier facility for the docking of ocean freight vessels delivering fuel to GPA facilities through a Dock Facility User Agreement; (2) Fuel pipeline facilities for the delivery and transport of fuel oil to and from GPA's fuel storage facilities through a Pipeline Agreement; and (3) GPA's additional RFO storage requirements through a RFO Storage Lease Agreement.⁶

DETERMINATIONS

8. The estimated total expense for the three agreements for the 4-year extension period is as follows: \$6,324,564 for the Dock Agreement; \$2,138,024 for the Pipeline Agreement; and \$6,674,891 for the RFO Storage Agreement.⁷
9. For the contract extension period, the fee schedule under the Dock Agreement remains the same as it was under the prior 5-year contract period until March 31, 2019.
10. The fee schedule after March 31, 2019, is dependent upon Tristar's contract renewal with the Port Authority of Guam (PAG) beyond the March 31, 2019 date.
11. The Pipeline Agreement and the RFO Storage Lease Agreement for the 4-year extension period contain the same annual incremental rate of the 4% based on standard Consumer Price Index changes and increased operational cost.⁸
12. As a result of the automatic four (4) percent annual increases during both the prior 5-year contract period and the proposed 4-year contract extension period, GPA's annual costs under the Pipeline Agreement have increased considerably. Under the prior 5-year contract period, the average annual cost for the Pipeline Agreement was

⁵ Guam Consolidated Commission on Utilities, Resolution No. 2017-43, Authorizing the Management of the Guam Power Authority (GPA) to enter into an agreement Extension Term with Tristar Terminals Guam Inc. for the Dock Facility, Pipeline Facilities and RFO Storage, adopted November 22, 2017.

⁶ Issues for Decision on GPA Resolution No. 2017-43, submitted in board packet for CCU Regular Meeting, dated November 22, 2017.

⁷ Issues for Decision on GPA Resolution No. 2017-43, submitted in board packet for CCU Regular Meeting, dated November 22, 2017, at p. 45 of the Board Packet.

⁸ CCU Resolution No. 2017-43, adopted November 22, 2017, at p. 1.

\$450,504.36. For the proposed 4-year extension period, the average annual cost will be \$534,506.02.

13. For the prior 5-year contract period, the average annual cost for storage lease fees was \$1,530,678.18. The average annual cost for the proposed 4-year extension period is \$1,366,322.76.
14. GPA has reduced the extent to which it utilizes the storage facilities of Tristar. For the initial 5-year contract period, GPA leased storage capacity of 422,150 bbls. from Tristar. However, for the proposed 4-year extension period, GPA will only lease 315,500 bbls from Tristar.
15. If one reduces the cost for the prior 5-year contract period based upon a proportionate reduction to 315,500 bbls per year, the annual cost for storage, was \$1,148,008. Thus, the annual cost for the Storage Contract for the same storage capacity has increased by over \$200,000, or over \$800,000 for the entire four-year period.
16. These rapidly increasing contract costs, which are compounded annually as a result of the 4% automatic annual increases, impose burdens upon the ratepayers. The funding source for all of these contracts is the Levelized Energy Adjustment Clause.
17. These contract costs are all added to the LEAC expense as "fuel handling charges." These costs are a factor which increase the fuel charges paid by ratepayers under LEAC.
18. There does not appear to be any evidence demonstrating that 4% automatic annual increases under the Pipeline and the Fuel Storage Agreements are related to actual CPI increases, or to any demonstrable costs incurred by Tristar.
19. An agreement related to CPI would be more understandable if increases (or decreases) in a particular contract year were based upon the actual CPI in the prior year, rather than a pre-set percentage.
20. Between 2009 and 2012, the CPI average annual percent change did not exceed the 4% in any year and was between 1.7% and 3.3%. For 2013, the CPI percentage increase was 0.0%; for 2014, the increase was 0.8%; and for 2015 there was a decrease of 0.9%.⁹

⁹ Guam consumer price index, 1st Quarter 2016, Bureau of Statistics and Plans (Business and Economic Statistics Program, Government of Guam (vol. XLII No. 1).

21. Between the 4th Quarters of 2016 and 2017, the CPI rose 3.2%.¹⁰ The automatic annual increase of the 4% is not based upon actual price increases that have occurred.
22. As the CCU has pointed out, Tristar “is the **sole service provider for the Dock Facility User Agreement, Pipeline Agreement, and RFO Storage Lease Agreement.**”¹¹
23. The PUC has an obligation to ensure that all rates and charges born by the ratepayers are “just and reasonable.” An automatic 4 % charge for CPI in years where there was no increase or a lesser increase is not just or reasonable.
24. There is no rational basis for such an automatic charge which is completely unrelated to any actual CPI increase.
25. GPA needs the services provided by Tristar for “ensuring uninterrupted supply of fuel to GPA through the use of Tristar’s fuel handling facilities...” However, GPA cannot be expected to bear any charge demanded, no matter how unreasonable.

ORDERING PROVISIONS

After careful review and consideration of the above determinations, the Petition of GPA, the Dock Facility User, Pipeline, and Storage Agreements between GPA and Tristar, the Report of PUC Counsel, 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** that:

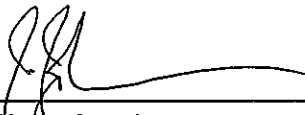
1. The PUC hereby grants GPA’s request for approval of the Dock Facility User Agreement between GPA and Tristar.
2. GPA is authorized to enter into the Dock Facility User Agreement for a four-year period, from September 1, 2018 through August 31, 2022.
3. GPA is authorized to expend, for the four-year period, amounts up to \$6,324,564 for the Dock Agreement.

¹⁰ KUAM News, dated March 5, 2018, citing data from the Bureau of Statistics and Planning.

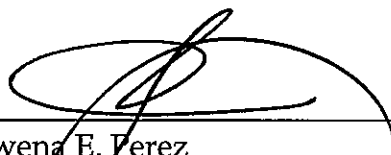
¹¹ CCU Resolution No. 2017-43, adopted November 22, 2017, at p. 1.

4. GPA must seek approval for any increase in the Dock Facility User Fee after March 31, 2019
5. For the Pipeline and Storage Agreements, GPA should renegotiate the automatic 4% annual CPI increases with Tristar.
6. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.


Dated this 29th day of March, 2018.




Jeffrey C. Johnson
Chairman




Rowena E. Perez
Commissioner




Joseph M. McDonald
Commissioner



Michael A. Pangelinan
Commissioner



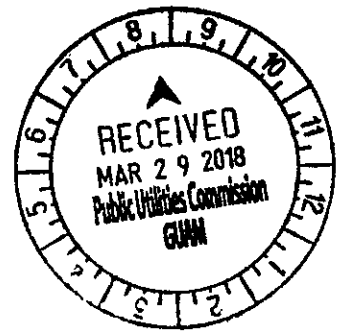
Peter Montinola
Commissioner



Filomena M. Cantoria
Commissioner

Andrew L. Niven
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 18-09
)
The Application of the Guam Power)
Authority for an increase in the Stanley) **ORDER**
Engineering, Procurement and)
Construction Management (EPCM))
Contract.)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] for an Increase in the Stanley Engineering, Procurement and Construction Management (EPCM) Contract.¹

BACKGROUND

2. In the present Petition, GPA seeks an increase for the Stanley EPCM contract in the amount of \$650,000 for consulting and technical services through September 2018.²
3. In GPA Docket 17-05, on October 27, 2016, the PUC authorized GPA to procure a contract for Engineering Procurement, Construction, and Management Services related to the new generation through a separate procurement.³
4. On October 27, 2016, in GPA Docket 15-05, the PUC authorized GPA to expend \$750,000 for an EPCM contractor for the proposed new plant, to be paid from the 2014 bond fund allocation for LNG Initial Startup.⁴
5. In March 2017, GPA selected Stanley Consultants through GPA RFP 17-001 as the Engineering, Procurement and Construction Management (EPCM) contractor for the new 180MW power plant.⁵

¹ GPA Petition for an Increase in the Stanley Engineering Procurement and Construction Management (EPCM) Contract, GPA Docket 18-09, filed March 9, 2018.

² Id. at p. 1.

³ PUC Order, GPA Docket 17-05, dated October 27, 2016, at p. 4.

⁴ PUC Order, GPA Docket 15-05, dated October 27, 2016 at p. 9.

⁵ GPA Petition for an Increase in the Stanley Engineering Procurement and Construction Management (EPCM) Contract, GPA Docket 18-09, filed March 9, 2018, at p. 1.

6. Initially, a main task of the EPCM Contractor was the development of bid documents for the 180MW plant and the selection of a bidder. This process is now ongoing, and GPA anticipates that the bid documents will be completed in the next month or two.
7. However, the EPCM has recently taken on additional tasks and responsibilities, including assisting GPA in the process of new power plant land acquisition work.
8. Stanley's activities have also included preparing for legislative and other public hearings and responding to issues raised in those forums.⁶
9. In the current Petition, GPA requests that the PUC approve an increase for the Stanley EPCM contract in the amount of \$650,000, for a total of \$1.4M for consulting and technical services, through September 2018.⁷
10. In Resolution No. 2018-05, the Guam Consolidated Commission on Utilities authorized GPA to increase the Stanley EPCM contract by \$650K for a contract total of \$1.4M for consulting and technical services through September 2018; GPA was further authorized to petition the PUC for approval of such increase.⁸
11. The Resolution recognizes that, in addition to the drafting of bid documents and the RFQ/Technical Bid Documents, Stanley was involved with technical discussions concerning the IPP scope and support for current land rezoning efforts.
12. Additional funds were also required to complete the bid documents, including final land details, incorporation of LNG details, addressing of regulatory requirements, and support for procurement activities such as responses to bidder questions.⁹

⁶ GPA Response to PUC Requests for Information, GPA Docket 18-09, dated March 20, 2018, at Responses 2 & 3.

⁷ GPA Petition for an Increase in the Stanley Engineering Procurement and Construction Management (EPCM) Contract, GPA Docket 18-09, filed March 9, 2018, at p. 2.

⁸ Guam Consolidated Commission on Utilities, Resolution No. 2018-05, Relative to Authorization of Increase for Engineering, Procurement, and Construction Management Contract Amount, adopted February 27, 2018.

⁹ Id. at pgs. 1-2.

DETERMINATIONS

13. In public hearings on the new generation between October 4 and 6, 2016, General Manager Benavente of GPA indicated that the proposed EPCM was "a onetime expense" and that the total cost would be \$750,000, to be funded from 2014 Bond Funds.¹⁰
14. It now appears that the required funding will exceed the amount originally indicated by GPA.
15. It is understandable that issues concerning the land purchase for the new plant and legislative hearings on such issues have required that EPCM to do additional work. However, it now appears that the tasks associated with this 5-year EPCM contract, will greatly exceed that originally anticipated.
16. The EPCM Contract with Stanley was effective March 2017 for a base period of three years, but also allows for an extension of two additional years, which means that Stanley Consultants will be rendering services for GPA through 2022.
17. As the documentation submitted by GPA provides, Stanley Consultants is working with a large cadre of subconsultants, such as K&M Advisors LLC, Pond & Company, EA Engineering, Science and Technology, PBC, Ruder Integrated Marketing Services, etc. Some of these consultants bill up to \$300 per hour.
18. To date, GPA has not provided a clear answer of what the total projected cost for Stanley Consultants will be under the EPCM contract.
19. GPA indicated that it was requesting such information from Stanley. GPA "has requested this from Stanley"; the response "is presently not available but we anticipate a first submittal within two weeks."
20. At present, there is insufficient information available as to the scope and total cost of the Stanley contract. PUC cannot determine what ongoing approach it should take with regard to the Stanley Contract without such information.
21. GPA has suggested that, even after the completion of the bid documents and the bidder selection process, Stanley will remain as the EPCM contractor, as Owner's Representative. According to GPA, Stanley may also receive some percentage of the

¹⁰ PUC Order, GPA Docket 17-05, dated October 27, 2016, at \$17, p. 3.

total bid amount as a fee for owner's representative. This matter is still being reviewed, but, to date, has not been clarified.

22. GPA has provided justification for the additional increase sought of \$650,000. However, many questions remain, and it would not be appropriate for the PUC to approve any additional increases unless the total cost and long-term scope of the EPCM contract is clarified.
23. GPA should do more to limit the scope and cost of this contract. It is not clear why Stanley is needed to "develop a plan for obtaining CCU and PUC approval."
24. If the project is justified, at a reasonable cost, there should be no issue with obtaining such approvals. GPA does not need an internal lobbyist to lobby with the CCU and PUC.
25. Stanley proposes to retain a "community outreach specialist". Stanley's "public relations support team" would be assisting the GPA PAO office "to assist with public relations and outreach initiatives...".
26. No justification is provided for inclusion of public relations tasks within Stanley's scope of work. Some of these tasks are reminiscent of those under the Armstrong contract that was previously addressed by the PUC.
27. GPA could do more to cut the cost and expense of the EPCM contract by limiting its scope to essentials and narrowing or eliminating some of the tasks.
28. The contract documents create an impression that Stanley Consultants may be viewed by GPA as having a role for the duration of a 25-year contract with the Independent Power Producer for the new power plant. If that is the case, the PUC should be advised now of that contemplated role. GPA should clearly spell it out.

ORDERING PROVISIONS

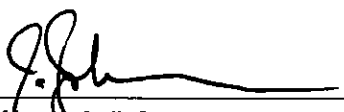
After careful review and consideration of the above determinations, the Petition of GPA, the Report of PUC Counsel, and the record herein, for good cause shown, on motion duly made, seconded, and carried by the undersigned Commissioners, the Guam Public Utilities Commission hereby **ORDERS** that:

1. GPA's request to increase funds for the Stanley EPCM contract is approved.
2. GPA may expend up to the amount of \$600,000 for the purposes requested in

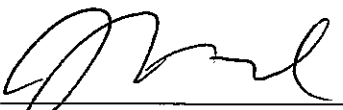
its Petition and in CCU Resolution No. 2018-05. None of the authorized funds shall be expended for marketing, lobbying, community outreach, or public relations, or any similar or related activity. No further increase shall be considered or approved until GPA complies with the requirements of this Order.

3. Within 60 days of the PUC Order in this Docket, GPA shall provide a Report to PUC. The Report shall specify, by line item and in detail, the matters and purposes for which the \$600,000 will be expended, and the amount of expenditure for each item. The Report shall also include a budget setting out the entire scope of the EPCM contract with Stanley Consultants. GPA should indicate the total amounts which it intends to expend on this contract, its duration, and any other tasks for which it intends to retain Stanley (such as Owner's Representative) with a complete description of the tasks.
4. GPA should undertake efforts to limit the scope and cost of the Stanley EPCM contract, and advise the PUC in its Report of what efforts it will undertake.
5. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.


Dated this 29th day of March, 2018.




Jeffrey C. Johnson
Chairman



Joseph M. McDonald
Commissioner

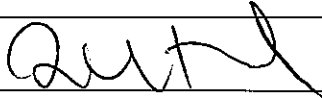


Rowena E. Perez
Commissioner



Michael A. Pangelinan
Commissioner

Order
GPA Application for an Increase
in the EPCM Contract
March 29, 2018



Peter Montinola
Commissioner



Filomena M. Cantoria
Commissioner

Andrew L. Niven
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 18-11
)
The Application of the Guam Power)
Authority to Approve the GPA's Use of) **ORDER**
Bond Refinancing Savings for GPA's)
Bringing Energy Savings To (BEST))
Schools Program and GPA's Demand-Side)
Management (DSM) Rebate Program.)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] for Approval of GPA's use of Bond Refinancing Savings for GPA's Bringing Energy Savings to (BEST) Schools Program, GPA's Demand-Side Management (DSM) Rebate Program, and New Generation Debt Service.¹

BACKGROUND

2. In GPA Docket 17-20, the PUC approved GPA's refunding of its 2010 Series A Revenue Bonds.²
3. In its Order, the PUC held:
"In sixty (60) days after such bonds have been issued, GPA shall submit a petition to the Commission indicating the manner in which actual savings shall be allocated, and the purposes for which GPA intends to expend the savings from the bond issuance."³
4. In addition, in Public Law 34-69, Section 2(h) (the Act approving GPA's Bond Refunding, the Guam Legislature required that
"Savings from refunding *shall be utilized specifically for the benefit of the ratepayers*. GPA *shall* notify *I liheslatura* within sixty (60) days of refinancing of its intent and plan regarding the savings achieved from refinancing." (emphasis added).

¹ GPA Petition of the Guam Power Authority (GPA) for Approval of GPA's use of Bond Refinancing Savings for GPA's Bringing Energy Savings to (BEST) Schools Program and GPA's Demand-Side Management (DSM) Rebate Program, GPA Docket 18-11, dated March 14, 2018.

² PUC Order, GPA Docket 17-20, dated December 5, 2017, at p. 1.

³ Id., at Ordering Provision No. 3.

5. In its SUMMARY OF SAVINGS from the Bond Refunding, GPA indicates that its total cash flow savings over the roughly 23 years of the bond refunding will be \$11,528,439 in total cash flow savings. The Annual Cash Savings are projected to be \$501,236 (average).⁴
6. GPA has three basic proposals for the use of the bond refunding savings: (1) the use of \$500,000 for implementing GPA's Bringing Energy Savings to Schools Program (BEST); (2) the balance of the savings through 2021 to fund the GPA Demand Side Management (DSM) rebate program in the amount of \$1,139,189; and (3) the remainder of savings after 2021 (\$9,889,250) to offset the annual debt service cost of the proposed new 180MW power plant.⁵
7. In Resolution No. 2018-02, the Guam Consolidated Commission on Utilities authorized GPA to petition the PUC for use of the bond refinancing savings for the BEST Schools Program, GPA's DSM Rebate Program, and New Generation Debt Service.⁶
8. PUC Counsel filed his Report herein on March 25, 2018.⁷

DETERMINATIONS

9. In Public Law 34-69, the Guam Legislature established the criteria for the use of savings by GPA: "Savings from refunding *shall* be utilized **specifically for the benefit of ratepayers.**" (emphasis added).
10. The issue is whether each of the uses of savings from bond refunding proposed by GPA are "specifically for the benefit of ratepayers."

⁴ Guam Consolidated Commission on Utilities Resolution No. 2018-02, Relative to Bond Financing Savings Utilization at Exhibit A, dated February 27, 2018.

⁵ GPA Petition of the Guam Power Authority (GPA) for Approval of GPA's use of Bond Refinancing Savings for GPA's Bringing Energy Savings to (BEST) Schools Program and GPA's Demand-Side Management (DSM) Rebate Program, GPA Docket 18-11, at pgs. 1-2; see also GPA Responses to PUC Requests for Information, dated March 23, 2018.

⁶ Guam Consolidated Commission on Utilities Resolution No. 2018-02, Relative to Bond Financing Savings Utilization, dated February 27, 2018.

⁷ PUC Counsel Report, GPA Docket 18-11, dated March 25, 2018.

11. For GPA's BEST program, GPA hired Siemens Industry Inc. to conduct a feasibility study for the amount of \$219,435 for the Guam Department of Education's schools. The study will provide recommendations for energy efficiency, renewable energy, and O & M and a CIP for electrical equipment such as HVAC.⁸
12. Siemens will survey the existing school buildings to identify and conduct preliminary sizing of solar array locations for each school site; provide a preliminary audit of existing school building Heating Ventilation & Air-Conditioning (HVAC) systems; and provide preliminary audits for energy management systems, water/wastewater systems, lighting systems, and operations and maintenance plans.⁹
13. Depending on the school chosen for the "post-feasibility phase", GPA and Siemens will execute projects at that school for solar PV, energy efficiency, and O & M/CIP investments into the school's electrical plants.¹⁰
14. GPA's proposal to use part of the Bond Refunding savings for GPA's Bringing Energy Savings to Schools Program (BEST) will specifically benefit ratepayers. If the plan is successful, the use of renewable energy systems by GDOE should reduce fuel cost and have a positive impact on LEAC rates. In the long term, the use of renewable energy should also reduce the cost of power to ratepayers.
15. Modernizing GDOE facilities and extending GDOE equipment life through maintenance will also result in energy savings. This use satisfies the ratepayer benefit criteria established by the Legislature.
16. The second use proposed by GPA is to use savings to replenish GPA's Demand-Side Management (DSM) Rebate Program. In the DSM Docket, GPA Docket 13-14, it was specifically agreed by the PUC and GPA that through DSM program "will provide substantial benefits to the ratepayers."¹¹
17. The PUC has also previously determined that it is in the interest of GPA and its ratepayers to implement additional DSM initiatives, including the new initiative

⁸ GPA Responses to PUC Requests for Information, dated March 23, 2018, RFI No. 3; Siemens Initial Preliminary Feasibility Assessment Proposal.

⁹ Id. at p. 1.

¹⁰ GPA Responses to PUC Requests for Information, dated March 23, 2018, RFI No. 3.

¹¹ PUC Order, GPA Docket 13-14, dated April 30, 2015 at p. 3.

proposed: “DSM Programs should foster energy conservation and hopefully reduce the need in the long term for as much additional generation capacity.”¹²

18. GPA initially implemented four DSM and EE Programs (Central AC, Ductless AC, Washer, and Dryer).
19. On May 25, 2017, the PUC approved GPA’s implementation of ten new DSM programs, as set forth in the PUC Counsel Report.¹³
20. Previously GPA was authorized to expend funds for the DSM program in the approximate amount of \$1.8M; however, roughly \$1.3M has been expended to date.¹⁴ Thus, an alternate funding source must be identified.
21. \$1.14M will be used to replenish GPA’s Demand-Side Management Rebate Program. These funds will be allocated to the DSM program in 2019 and 2020.¹⁵ These funds will provide rebates to ratepayers for energy efficient measures.
22. It is hoped that expansion of the DSM programs will reduce the amount of energy and generation capacity that GPA must produce for its ratepayers. Should the program be successful in reducing energy consumption, GPA will conceivably need to provide less generation capacity.
23. A reduction in energy production facilities and capacity will provide savings for the ratepayers. Therefore, the expansion of DSM programs is specifically in the interest of ratepayers.
24. The bulk of the savings was that GPA will derive from the bond refunding will be utilized to offset the annual debt service cost of the new 180MW power plant. In 2021 through 2039, \$9,889,250 will be utilized to offset the annual debt service cost of the new 180MW power plant.¹⁶
25. GPA estimates that the projected capacity fee cost of its new generation combined cycle units will be over \$303M, which includes a deduction of insurance proceeds of

¹² PUC Order, GPA Docket 13-14, dated May 25, 2017, at p. 3.

¹³ PUC Order, GPA Docket 13-14, dated May 25, 2017.

¹⁴ CCU Board Packet of GPA Materials, March 22, 2018, at p. 51 (GM Report).

¹⁵ Exhibit B to the PUC Requests for Information, dated March 23, 2018.

¹⁶ Exhibit B to the PUC Requests for Information, dated March 23, 2018.

\$82M. The annual debt service for thirty years, including principal and 4% interest, will be over \$17.5M.¹⁷

26. Application of bond savings payments of \$520,000 per year from 2022 through 2040 to the new generation debt service of \$17.5M per year will hardly make a dent in payments related to the cost of the 180MW plant. Nevertheless, application of the bond cost savings from the refunding will reduce actual hard costs that the ratepayers will have to bear.
27. The debt service costs will be funded from rate revenues derived from ratepayers. Application of the bond savings to the debt service will help to ensure that GPA complies with its promise not to raise rates resulting from the new generation costs.
28. To the extent that the bond refunding cost savings pay for debts that would otherwise be funded through ratepayer revenues, there is a specific benefit for the ratepayers.

ORDERING PROVISIONS

After careful review and consideration of the above determinations, the Petition of GPA, the Report of PUC Counsel, 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 that:

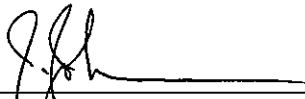
1. GPA's proposed uses for Bond Refinancing savings, as set forth in its Petition and CCU Resolution 2018-02, are hereby approved.
2. GPA shall allocate the bond refinancing savings as follows: \$500,000 for implementing GPA's Bringing Energy Savings to Schools Program (BEST); \$1,139,189 to fund the GPA Demand Side Management (DSM) rebate program; and \$9,889,250 to offset the annual debt service cost of the proposed new 180MW power plant.
3. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the

¹⁷ Exhibit C to the PUC Requests for Information, dated March 23, 2018.

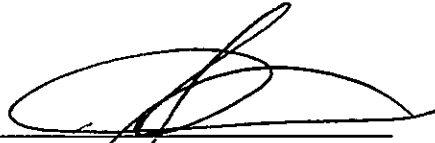
Order
GPA Bond Refinancing
Savings Utilization
GPA Docket 18-11
March 29, 2018

Public Utilities Commission.

Dated this 29th day of March, 2018.



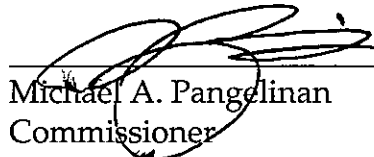
Jeffrey C. Johnson
Chairman




Rowena E. Perez
Commissioner



Joseph M. McDonald
Commissioner



Michael A. Pangolinan
Commissioner

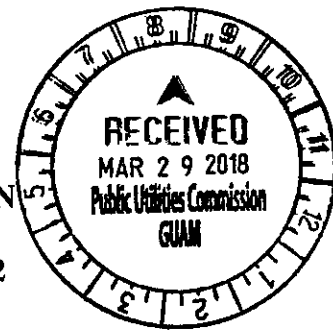


Peter Montinola
Commissioner



Filomena M. Cantoria
Commissioner

Andrew L. Niven
Commissioner



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

**PETITION FOR APPROVAL OF
GWA'S AMENDED SYSTEM
DEVELOPMENT CHARGE
IMPLEMENTATION GUIDELINES
AND FINANCIAL OFFSET POLICY**

GWA DOCKET NO. 17-12

ORDER

This matter comes before the Guam Public Utilities Commission (the "PUC" or the "Commission") pursuant to the Petition for approval of the Amended System Development Charge Implementation Guidelines, filed by the Guam Waterworks Authority ("GWA") on September 7, 2017 (the "Petition").

On March 28, 2018, the Administrative Law Judge of the PUC (the "ALJ") assigned to this matter filed an ALJ Report that include his findings and recommendations based on the administrative record before the PUC. The ALJ found the following.

DETERMINATIONS

On July 22, 2008, GWA filed a petition for the PUC to approve GWA's proposed water and wastewater system development charges and accompanying rules ("SDC"). Petition to Establish a System Development Charge, GWA Docket 08-08 (July 22, 2008). The SDC Implementation Guidelines were adopted pursuant to the PUC's January 29, 2010 Order issued in GWA Docket 08-08. That Order also required GWA to establish a policy for GWA to provide credits or offsets to developers provided that certain conditions were met.

A. Petition for Approval of SDC Implementation Guidelines Update and SDC Financial Offset Policy

GWA submits that since the adoption of the SDC Implementation Guidelines, public laws were passed in 2013 that affect payment deadlines for residential construction, and that require an Affordable Housing SDC. For instance, Public Law 32-075 shifted “the collection of the System Development Charge from the building permit stage to the occupancy permit stage.” P.L. 32-075, p. 2 (Nov. 27, 2013). The intent was to “negate the need for developers to front the cost of the SDC far in advance of the sale of the house, thus lowering the cost of development, while still ensuring that GWA receives the full amount necessary to protect existing ratepayers from the impact of new development.” *Id.* The law further provided that an amortized SDC would be made “available for all customers building a single family dwelling, regardless of income.” *Id.* at 2-3.

As a result, updates to the SDC Implementation Guidelines were required. According to GWA, it has spent nine (9) months revising its SDC Implementation Guidelines (also referred to herein as the “Update”).

B. Revised System Development Charge Implementation Guidelines

Revisions to the SDC Implementation Guidelines include the following. The Update creates an exception that SDCs owed for single family dwelling may be paid prior to occupancy, as opposed to prior to issuance of a building permit.¹ The Update also clarifies that SDCs shall be determined based on the number of meters as well as service

¹ Exhibit A, p. 6.

units.² Further, the Update indicates that GWA can require a bond for any capital improvement or facility expansion.³ The Update also includes a provision that GWA may terminate water or wastewater service in the event of non-payment of an amortized SDC.⁴

Significantly, the Update establishes the “Affordable Housing System Development Charge,” which includes language from P.L. 32-075, codified under 12. G.C.A. § 12116.5(i). This particular revision provides guidelines for GWA’s Affordable Housing SDC. The guidelines reflect Guam law as it relates to who qualifies for an Affordable Housing SDC, what type of proof is required to qualify, and grievance procedures. The guidelines related to the Affordable Housing SDC also provide that GWA must review the Median Household Income for Guam “at least once every five years.”⁵

While the Update still includes the requirement that all SDC revenues must be placed in a special restricted fund, revisions include the requirement that GWA provide the PUC with a “full accounting of the receipts and expenditures into and from the [Island Water and Sewer Infrastructure Development] Fund shall be filed annually” for the PUC’s “review and approval.”⁶ Also, any financial offsets requested by developers will require the approval of GWA’s General Manager, pursuant to the new SDC Financial Offset Policy.⁷

² Exhibit A, p. 7.

³ Exhibit A, pp. 10-11.

⁴ Exhibit A, p. 12.

⁵ Exhibit A, p. 12.

⁶ Exhibit A, p. 2.

⁷ Exhibit A, p. 3.

C. SDC Financial Offset Policy for Developers

With regard to the proposed SDC Financial Offset Policy, this policy serves to provide developers with an SDC financial offset by constructing any off-site water and/or wastewater infrastructure.⁸ Under this policy, developers may avail of a financial offset, which will include costs associated with the design and construction of any “Sanitary Sewer Facility Expansion or Water Facility Expansion” as defined under the SDC Implementation Guidelines.⁹

Further, as stated in the SDC Implementation Guidelines, the following do not qualify for an SDC offset: the dedication of rights-of-way or easements; the construction of improvements by the developer on private property; and line extension costs or other agreed upon privately funded costs that are required under GWA rules or regulations or Guam law to accommodate development.¹⁰ This policy further provides instructions on how developers can apply for an SDC offset under the guidelines.¹¹ These instructions include the developer’s submission of engineering plans, total project costs, and financial offset request; as well as GWA’s review of such offset application.¹² The guidelines further include GWA’s acceptance of the improvement, as well as an instruction related to phased development.¹³

Based on the record before the Commission, the ALJ found that the proposed revisions to the SDC Implementation Guidelines and new SDC Financial Offset

⁸ Exhibit B, p. 1.

⁹ Exhibit B, p. 2.

¹⁰ Exhibit B, p. 2.

¹¹ Exhibit B, pp. 2-3.

¹² Exhibit B, pp. 2-3.

¹³ Exhibit B, p. 3.

Policy had undergone careful scrutiny. GWA has engaged in working sessions with the ALJ to assist the PUC's review of these policies. The ALJ therefore found that approval of these two policies would allow GWA to better implement an SDC system as required by statute. Accordingly, the ALJ determined that the SDC Implementation Guidelines and SDC Financial Offset Policy submitted to the PUC for its approval should be granted.

The Commission hereby adopts the findings made in the March 28, 2018 ALJ Report, and therefore, issues the following:

ORDERING PROVISIONS


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

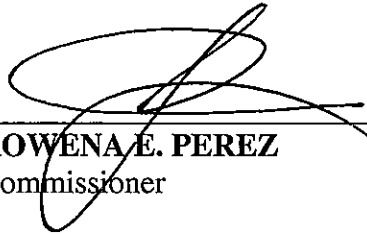
1. That the instant Petition is hereby GRANTED and that the revised SDC Implementation Guidelines and SDC Financial Offset Policy submitted to the PUC as "Exhibit A" and "Exhibit B" are APPROVED.

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

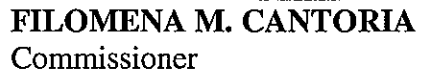
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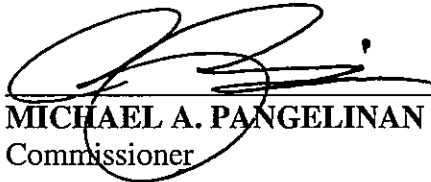
SO ORDERED this 29th day of March, 2018.



JEFFREY C. JOHNSON
Chairman

ROWENA E. PEREZ
Commissioner

JOSEPH M. MCDONALD
Commissioner

FILOMENA M. CANTORIA
Commissioner

MICHAEL A. PANGELINAN
Commissioner

PETER MONTINOLA
Commissioner

ANDREW L. NIVEN
Commissioner

P183007.JRA

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

**PETITION FOR APPROVAL OF
AMENDMENT NO. 7 TO PMO WITH
BROWN & CALDWELL BY GUAM
WATERWORKS AUTHORITY**

GWA DOCKET 18-01

ORDER



This matter comes before the Guam Public Utilities Commission (the “PUC” or the “Commission”) pursuant to the Petition for approval of a \$2,095,904.00 increase in the Program Management Office (“PMO”) contract with Brown & Caldwell, specifically Amendment No. 7, filed by the Guam Waterworks Authority (“GWA”) on October 12, 2017 (the “Petition”); and a Supplemental Petition to Approve the Remaining amount of the Seventh Amendment to the PMO contract, filed on February 6, 2018.

On March 28, 2018, the Administrative Law Judge of the PUC (the “ALJ”) assigned to this matter filed an ALJ Report that included his findings and recommendations based on the administrative record before the PUC. The ALJ found the following.

DETERMINATIONS

On November 30, 2017, the Commission conditionally approved the October 12, 2017 Petition “for an amount not to exceed \$1,365,349.00, and that approval of the remaining amount requested shall be considered after GWA’s submission of the following: (a) a detailed list or work authorization itemizing specific projects or line items that account for the \$730,555.00 increase requested by GWA; and (b) a PMO Elimination

Plan by January 31, 2018, which shall address GWA's current future efforts to eliminate its reliance on PMO services.”¹

On January 31, 2018, GWA submitted its PMO Transition Plan Update (“Report”). Thereafter, on February 6, 2018, GWA submitted its Supplemental Petition to Approve the Remaining amount of the Seventh Amendment to the PMO Contract (the “Supplemental Petition”).

A. Review of GWA's PMO Contract

Pursuant to 12 G.C.A. §12105, 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”² GWA must also seek PUC's approval for any uses of bond funds.³

B. Request for Authorization for the Remaining \$730,555.00 Increase

In its October 12, 2017 Petition, GWA maintained that it “continues to need significant assistance on numerous projects such as compliance with the [federal] Court Order[,] matters contained in the Stipulation attached to PUC's Order approving GWA's 5-year rate plan covering FY2013-FY2018, SRF grant project management, Consulting Engineer's Report and Certification for 2018 revenue bond financing, and hydraulic

¹ Order, PUC-GWA Docket 18-01, p. 7 (Nov. 30, 2017)

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

³ *Id.*

modeling and training for wastewater collection system analysis, among others.”⁴ Based on this need, GWA sought PUC approval to increase funding for its existing contract with the PMO by \$2,095,904.00 for services described in the Petition.⁵

In its November 30, 2017 Order, however, the PUC requested that GWA submit a more detailed list or work authorization itemizing specific projects or line items that account for the \$730,555.00 increase requested by GWA for its Program Management Support work authorization; and that the PUC would revisit approval of the remaining funding after GWA submits a PMO Elimination Plan, which would address GWA’s current and future efforts to eliminate its reliance on PMO services. In its Report, GWA indicated the status of the PMO’s engagement with the agency. Further, in the Supplemental Petition, GWA submitted an itemization of projects under the Program Management Support work authorization.

1. Itemized Projects Under Work Authorization 2017-01

According to the Supplemental Petition, Work Authorization 2017-01 includes the following: support for ONE-GUAM water analyses, initiatives, studies, and technical memoranda; training on analysis of sewer system CCTV and inspections; assisting with GWA’s implementation of its fat-oil-grease control, illegal connection, and illicit discharge programs; and assist GWA with the implementation of backflow

⁴ Petition, p. 3.

⁵ Petition, pp. 1, 3.

prevention to prevent water contamination.⁶ The PMO will also be required to provide consultation regarding GWA's organizational rules and policies.⁷

The work authorization also includes the review of local regulations, and the provision of recommendations, in an effort to strengthen GWA's authority in imposing penalties and fines to parties that damage GWA assets or commit permit violations.⁸ Other work includes providing GWA with technical guidance regarding procurement of a well pump hoisting rig, in an effort to allow GWA to perform well maintenance on its own; and performing forensic analysis focusing on addressing water leakage at the Tumon Maui Well.⁹

Finally, the PMO will assist GWA with developing a feasibility study related to a disinfection system at the Hagatna Wastewater Treatment Plant; as well as assist GWA in developing a curriculum for employee training on improving "utility performance."¹⁰

2. PMO Elimination Plan

A. PMO Progress Report

In its Report, GWA admitted that the federal court order has demanded "additional resources which the Authority might not normally have on hand."¹¹ In addition, GWA further admitted that it has struggled with "attracting and maintaining

⁶ Supplemental Petition, p. 2.

⁷ Supplemental Petition, p. 2.

⁸ Supplemental Petition, p. 2.

⁹ Supplemental Petition, p. 2.

¹⁰ Supplemental Petition, p. 2.

¹¹ Report, p. 1.

qualified personnel in key operational and technical positions.”¹² GWA submitted that there are only four (4) outstanding items that are required by the court order, which GWA indicates “can be completed with anticipated reduced PMO involvement.”¹³

B. Elimination of PMO

GWA submitted that “[t]he remaining stage of PMO activity is characterized by declining effort, as GWA continues its progress and improvement, utilizing and perfecting toolsets developed in the transitional stage, and implementing effective re-organization and training to arrive at a ‘right-sized’ workforce.”¹⁴

GWA further submitted that all project related work will be completed by the end of 2018, and that only general “Program Management Services” will extend to February 2019, which is the end of the PMO contract.¹⁵ In an effort to continue its progress beyond the PMO, GWA is currently recruiting engineers, and has hired an engineer, to provide technical and engineering support for work provided by the PMO.

C. Progress Beyond the PMO

GWA indicates in its Report that once the PMO is fully eliminated, it will still require assistance with engineering services, construction, and specialty consulting on complex projects.¹⁶ GWA, however, will utilize usual procurement methods for these types of services.¹⁷

¹² Report, p. 1.

¹³ Report, p. 2.

¹⁴ Report, p. 9.

¹⁵ Report, p. 10.

¹⁶ Report, p. 12.

¹⁷ Report, p. 12.

CONCLUSION

The ALJ found that GWA's submission of an itemization of specific projects and line items to account for the \$730,555.00 increase, as well as having filed an updated report regarding the elimination of the PMO, are sufficient to satisfy the conditions of the PUC's November 30, 2017 Order. Further, with respect to the projects and line items described in the Supplemental Petition, the ALJ found that these projects are critical and necessary for GWA to continue to meet the deadlines imposed by the federal Stipulated Order, as well as to improve its water and wastewater systems.

Based on the record before this Commission, the ALJ recommended the following. First, the ALJ recommended that the PUC approve GWA's request for additional funding for its contract with Brown & Caldwell, in the amount of \$730,555.00 specifically for Program Management Support for 2017-2018. However, the ALJ further recommended that GWA should be ordered to report at each monthly PUC meeting its activities regarding prevention of water loss, as well as on the status of each PMO project.

The Commission hereby adopts the findings made in the March 28, 2018 ALJ Report, and therefore, issues the following:

ORDERING PROVISIONS

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

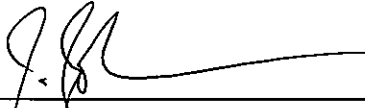
1. That GWA's request for additional funding for its contract with Brown & Caldwell, in the amount of \$730,555.00 specifically for Program Management Support for 2017-2018 is hereby APPROVED.

2. That GWA is ordered to appear at the end of each quarter and report at the PUC meeting its activities regarding prevention of water loss, as well as the progress of each PMO project, the first of such report due June, 2018.

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

[SIGNATURES TO FOLLOW ON NEXT PAGE]

SO ORDERED this 29th day of March, 2018.



JEFFREY C. JOHNSON
Chairman



ROWENA E. PEREZ
Commissioner



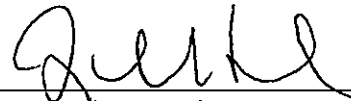
JOSEPH M. MCDONALD
Commissioner



FILOMENA M. CANTORIA
Commissioner



MICHAEL A. PANGELINAN
Commissioner



PETER MONTINOLA
Commissioner

ANDREW L. NIVEN
Commissioner

P183011.JRA



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

PETITION TO APPROVE ACQUISITION)	GWA DOCKET 18-03
OF 17 ACRES OF LAND FOR THE)	
EXPANSION OF THE NORTHERN)	ORDER
DISTRICT WASTEWATER)	
TREATMENT PLANT)	
_____)	

This matter comes before the Guam Public Utilities Commission (the “PUC” or the “Commission”) pursuant to the Petition to approve the acquisition of seventeen (17) acres of land for the expansion of the Northern District Wastewater Treatment Plant (“NDWTP”), filed by the Guam Waterworks Authority (“GWA”) on January 12, 2018 (the “Petition”).

On March 26, 2018, the Administrative Law Judge of the PUC (the “ALJ”) assigned to this matter filed an ALJ Report that included his findings and recommendations based on the administrative record before the PUC. The ALJ found the following.

DETERMINATIONS

A. Review of GWA’s Contract Review Protocol

Pursuant to 12 G.C.A. §12105, GWA may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC’s express approval.

B. Land Acquisition

In its Petition, GWA maintained that it presently faces an increasing volume of wastewater produced by the residential and commercial expansion in the northern part

of the island, due in part to the increasing military footprint of Anderson Air Force Base.¹ In addition, GWA further maintained that the U.S. Environmental Protection Agency (the “U.S. E.P.A.”) will require that a secondary treatment facility be added to the NDWTP to comply with the National Pollutant Discharge Elimination System (“NPDES”) Permit Program, which ensures that mandatory standards for clean water are met.²

With regard to the specific piece of property, GWA’s initial attempts to purchase property from adjacent landowners were not fruitful.³ As a result, GWA intends to purchase property northwest of the NDWTP, across an easement, which is owned by the Guam Ancestral Land Commission (“GALC”).⁴

Moreover, according to GWA, a report by the U.S. Navy recommended that the design and construction of NDWTP upgrades comply with the NPDES Permit Program.⁵ GWA submitted that the purchase of the subject property will allow it to make the necessary improvements to the NDWTP.

1. Cost

GWA submitted that the total cost of the purchase of the property is \$2,542,922.00.⁶ This cost includes \$2,490,000.00 for the land purchase, which reflects the fair market value of the property. This fair market value was obtained as a result of an average of two appraisals obtained by GWA. This cost also includes the following:

¹ Petition, p. 1.

² Petition, p. 1.

³ Petition, p. 2.

⁴ Petition, p. 2.

⁵ Petition, p. 2.

⁶ Petition, p. 3.

\$32,530.00 for mapping and surveys; \$10,820.00 for the appraisal fees; and \$9,572.00 for title and escrow fees.⁷

2. Sources of Funding

GWA also submitted that the funding sources for the purchase will comprise of the following: a grant from the U.S. Department of Defense; 2010 Bond funds; SDC fund; and internal operating capital.⁸ In particular, \$560,000.00 will be funded by the U.S. Department of Defense's grant; \$1,000,000.00 from GWA's 2010 Bond; \$950,000.00 from GWA's SDC fund; and \$32,922.00 from GWA's operating capital.⁹

3. Public Law 33-198

In 2016, the Guam Legislature enacted Public Law 33-198, which expressly found that:

... Guam's existing Northern District Wastewater Treatment Plant (NDWWTP) presently provides only the court-ordered chemically enhanced primary treatment (CEPT) without disinfection. The Guam Waterworks Authority (GWA) has determined that an upgrade of the NDWWTP will ensure that permit requirements of the National Pollutant Discharge Elimination System (NPDES) are met for all discharges of current and future increases in wastewater flows from the population, civilian and military, in northern and central Guam. Additionally, the upgrade is necessary to mitigate the impact to marine resources resulting from increased ocean discharges, and to protect the northern Guam lens aquifer.

P.L. 33-198, Section 1, p. 2 (Dec. 2, 2016).

In addition, the Guam Legislature also found that the U.S. Department of Defense "supports the construction of the NDWWTP upgrade and expansion to ensure that

⁷ Petition, p. 3.

⁸ Petition, p. 3.

⁹ Petition, p. 3.

the military wastewater requirements can be met, and that the Federal Clean Water Act (CWA) and Guam's water quality standards are met." *Id.*

Further, the law expressly authorizes GALC to transfer a portion property identified as "Anderson Communication Annex No. 1 (AJKD)," an area of approximately 70,000 ± square meters, to GWA "for the construction of the upgrade and expansion of the existing wastewater treatment plant, to include, but not to be limited to, the oxidation ditches, odor control, enhanced headworks, secondary clarifiers, digesters, pumps and associated piping, and storm water basins." *Id.* at Section 2(b), p. 3.

4. CCU Resolution No. 9-FY 2018

The instant Petition is supported by Resolution No. 9-FY 2018 issued by the Consolidated Commission on Utilities (the "CCU") on November 22, 2017. In the resolution, the CCU noted its prior approval of \$1,000,000.00 to fund this project out of GWA's 2010 Bond funds. The CCU further authorized GWA to utilize other funding sources, such as GWA's System Development Charge ("SDC") fund and other applicable bond funding to fully fund the cost of the land purchase.

CONCLUSION

Based on the documents submitted by GWA and the record before this Commission, the ALJ found that the acquisition of the seventeen (17) acres described in the Petition and its supporting documents are critical and necessary in order for GWA to adequately service the current and future increase in wastewater flow produced by the residential and commercial, civilian and military, expansion in the northern part of the island. Acquiring the property will further ensure that the federal NPDES Permit Program requirements will be met. It will also ensure the protection of Guam's marine resources

and freshwater. Moreover, the ALJ further found that the purchase of property has been specifically authorized by the Guam Legislature in P.L. 33-198.

Accordingly, based on the record before this Commission, the ALJ recommended the following. The ALJ recommended PUC approval of the purchase of the subject property, for the total cost of \$2,542,922.00. Further, based on the findings discussed above, the ALJ recommended that the PUC authorize GWA to utilize SDC proceeds to help fund this purchase.

The Commission hereby adopts the findings made in the March 26, 2018 ALJ Report, and therefore, issues the following:

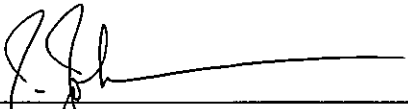
ORDERING PROVISIONS


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

1. That the instant Petition is hereby APPROVED and GWA is authorized to purchase the property described in its Petition, for the total cost of \$2,542,922.00. Further, GWA is authorized to utilize SDC proceeds to help fund this purchase.

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

SO ORDERED this 29th day of March, 2018.



JEFFREY C. JOHNSON
Chairman

ROWENA E. PEREZ
Commissioner

JOSEPH M. McDONALD
Commissioner

FILOMENA M. CANTORIA
Commissioner

MICHAEL A. PANGELINAN
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ANDREW L. NIVEN
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