

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



)                    **PAG DOCKET 15-04**  
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**INCREASE TARIFF PETITION OF  
PORT AUTHORITY OF GUAM  
FOR RATE RELIEF**

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**INTRODUCTION**

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the Increase Tariff Petition (hereinafter referred to as the “Rate Petition”), filed by the Jose D. Leon Guerrero Commercial Port (“PAG” or the “Port”) on June 1, 2015.

**DETERMINATIONS**

On March 31, 2015, PAG published its proposed rates reflecting increases to PAG’s Terminal Tariff.<sup>1</sup> On May 19, and May 20, 2015, PAG submitted documents to a Port User’s Group and other customers for their review and comment.<sup>2</sup> On June 1, 2015, PAG filed the Rate Petition. Thereafter, the Administrative Law Judge of the PUC (the “ALJ”) transmitted a copy of the Rate Petition to the firm of Slater Nakamura, L.L.C. (“Slater Nakamura”), the PUC’s consultants for port authority matters. The ALJ requested that Slater Nakamura begin its review of the instant rate case.

On October 19, 2015, Slater Nakamura provided the ALJ with its report on the rate investigation, which detailed its findings and recommendations. On October 27, 2015, the ALJ issued an ALJ Report and Proposed Order, detailing the PUC’s review of the Rate Petition and Slater Nakamura’s investigation. On October 29, 2015, at a regular meeting of the PUC, the

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<sup>1</sup> Report of the Tariff Investigation for the Port Authority of Guam (“Slater Nakamura Report”), submitted by Slater Nakamura, L.L.C., p. 3 (Oct. 19, 2015).

<sup>2</sup> Slater Nakamura Report, p. 3.

Commission issued an Order approving a 7% increase to PAG's Terminal Tariff rates, excluding the crane surcharge, as petitioned by PAG.<sup>3</sup> At the October 29, 2015 meeting, PAG expressed to the PUC that it would like to file a multi-year rate plan in 2016, and that it was confident that it could do so.

On February 6, 2015, the Honorable Senator Thomas C. Ada issued a letter to the Chairman of the PUC requesting clarification of the October 29, 2015 Order, specifically whether the tariff increase would be effective for one year only, whether the 7% increase was truly "reasonable," among other issues.

The October 27, 2015 ALJ Report and corresponding October 29, 2015 Order were based on the review of documents submitted by PAG, as well as Slater Nakamura's investigation in this rate case. In its review, Slater Nakamura noted that although PAG presented documentation for a 5-year tariff increase, PAG only petitioned the PUC for a single year rate increase.<sup>4</sup>

Based on its investigation, Slater Nakamura made the following findings. First, the consultants found that the requested increase to PAG's Terminal Tariff was "just and reasonable."<sup>5</sup> As indicated in the Slater Nakamura Report, the following recommendations were made. First, the consultants recommended the approval of the requested tariff rates.<sup>6</sup> The consultants also recommended that PAG review its plan to adjust salaries to the 50<sup>th</sup> market percentile to determine the impact on the financial stability of the Port, and that a report should

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<sup>3</sup> PUC Order, PAG Docket 15-04, p. 8 (Oct. 29, 2015).

<sup>4</sup> Slater Nakamura Report, p. 4.

<sup>5</sup> Slater Nakamura Report, p. 15.

<sup>6</sup> Slater Nakamura Report, p. 16.

be provided to the Commission by December 2015.<sup>7</sup> The consultants suggested that PAG review the impact of the 7% increase to determine if another increase is justified.<sup>8</sup>

When the PUC indicated in its October 29, 2015 Order that PAG was authorized to implement the proposed 7% increase, it meant that such rate increase would remain in effect until such time as the agency either returns to the PUC, or is ordered by the PUC, to request rate relief. Based on prior orders regarding the rate petitions by this agency, once a rate increase has been approved by the Commission, the utility usually does not deviate from the increase, unless such increase is approved under a multi-year rate plan, in which case the rate increases will be adjusted annually pursuant to the multi-year plan. Accordingly, the 7% tariff increase, as implemented by PAG, should remain in full force and effect until there is further action by the PUC.

With respect to an increase in employee salaries, Slater Nakamura recommended that PAG review its plan to adjust salaries to the 50<sup>th</sup> market percentile to determine the impact of such an adjustment on the financial stability of the Port, and to submit its findings to the PUC.<sup>9</sup> Slater Nakamura's approach underscores a necessity to proceed with the salary adjustments with some care. Indeed, the PUC should support a more financially conservative approach towards these salary adjustments, and therefore, PAG should aim to implement salary increases when its revenues permit. Accordingly, PAG should employ an incremental approach to its salary increases, and should work in collaboration with the PUC as it applies any such increases to employee salaries. Accordingly, PAG should be required to submit its findings to the PUC by July 31, 2016.

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<sup>7</sup> Slater Nakamura Report, p. 16.

<sup>8</sup> Slater Nakamura Report, p. 16.

<sup>9</sup> Slater Nakamura Report, p. 16.



At the October 29, 2015 PUC hearing, PAG expressed its desire to file a multi-year rate plan some time in 2016, and that it was confident it could do so. PAG also indicated to Slater Nakamura that another tariff increase will be requested in June, 2016.<sup>10</sup> Since no hard deadline has been specified for submission of a subsequent rate plan, the ALJ recommends that the PUC require PAG to file a multi-year Rate Plan by October 1, 2016.

In its report, Slater Nakamura has indicated that “[w]hile the crane surcharge may be covering current costs, it is not generating sufficient funds to pay for replacement cranes . . . .”<sup>11</sup> Slater Nakamura has therefore suggested to the PUC that the financial modeling for this upcoming rate plan should include the surcharge for replacement of two Gantry cranes by 2027, and that PAG develop a model that allows it to operate profitably. Slater Nakamura has also suggested that PAG work collaboratively with the Commission’s consultants to generally develop a financial model that will serve as a basis for PAG’s multi-year rate plan.

On March 29, 2016, the ALJ issued an ALJ Report clarifying certain provisions contained in the October 29, 2015 PUC Order.

Based on the above, the ALJ recommended the following. First, the ALJ recommended that the PUC require PAG to file a multi-year Rate Plan by October 1, 2016. PAG should work collaboratively with the Commission’s consultants to develop a financial model that will serve as a basis for PAG’s multi-year rate plan. The financial model for this upcoming rate plan should allow PAG to operate profitably, as well as include the surcharge for replacement of two Gantry cranes by 2027.

Second, the ALJ recommended that PAG should work in collaboration with the PUC as it applies any such increases to employee salaries, and should aim to implement salary

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<sup>10</sup> Slater Nakamura Report, p. 2, n.2.

<sup>11</sup> Slater Nakamura Report, p. 24.

increases when its revenues permit. Therefore, PAG should review its plan to adjust salaries to the 50<sup>th</sup> market percentile to determine the impact of such an adjustment on the financial stability of the Port, and to submit its findings to the PUC by July 31, 2016.

The Commission hereby adopts the findings made in the March 29, 2016 ALJ Report, and therefore, issues the following:

### **ORDERING PROVISIONS**

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

1. PAG shall file a multi-year Rate Plan by October 1, 2016. PAG shall work collaboratively with the Commission's consultants to develop a financial model that will serve as a basis for PAG's multi-year rate plan.
2. The financial model for this upcoming rate plan shall allow PAG to operate profitably, as well as include the surcharge for replacement of two Gantry cranes by 2027.
3. PAG shall work in collaboration with the PUC as it applies any such increases to employee salaries, and should aim to implement salary increases when its revenues permit. Accordingly, PAG shall review its plan to adjust salaries to the 50<sup>th</sup> market percentile to determine the impact of such an adjustment on the financial stability of the Port, and submit its findings to the PUC by July 31, 2016.
4. The 7% tariff increase, as implemented by PAG, shall remain in full force and effect until there is further action by the PUC.

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

**SO ORDERED** this 31<sup>st</sup> day of March, 2016.



**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

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