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OF GUAM**

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December 20, 2022

Doc Type: \_\_\_\_\_  
**OFFICE OF THE SPEAKER  
THERESE M. TERLAJE**

**VIA HAND DELIVERY**

The Honorable Governor Lourdes A. Leon Guerrero  
Maga'haga of Guam  
Ricardo J. Bordallo Governor's Complex  
Adelup, Guam

The Honorable Speaker Therese Terlaje  
Speaker, 37th Guam Legislature  
Guam Congress Building  
163 Chalan Santo Papa  
Hagatna, Guam 96910

-12- 20 2022  
Time: 12:21pm  
Received: MARIE CRUZ  
[Signature]

Re: Guam Public Utilities Commission FY2022 Annual Report

Dear Governor Leon Guerrero and Speaker Terlaje:

In accordance with the mandate of 12 GCA § 12104, the Guam Public Utilities Commission ["PUC"] respectfully submits its Annual Report for Fiscal Year 2022.

Attachment A, enclosed herewith, sets forth the major regulatory actions undertaken by the PUC in FY2022.

In September of 2021, GPA sought to implement a new Net-Metering Program Interconnection Policy. The policy imposed a requirement that any net-metering customer must include battery storage or an Energy Storage System in their net-

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Moises Gomez



metering systems. However, in GPA Docket 20-09, the PUC had previously ordered that GPA could not require new net-metering customers to include battery storage in their systems unless GPA had completed certain studies including a distribution system impact study and an independent study determining the cost of grid and other services used by NM customers before it implemented such a requirement. The PUC rejected and suspended the policy, finding that the policy was contrary to the PUC's prior Order. The implementation of the policy could harm businesses in the solar industry and have a detrimental impact on the government, commercial and residential market for solar energy.

Throughout FY2022, the PUC was required to continually re-examine the Levelized Energy Adjustment Clause Fuel Factor due to steeply rising fuel prices. Beginning in February of 2021, through December 1, 2021, the PUC raised the LEAC Factor from \$.086800/kWh to \$.171458/kWh effective December 1, 2021. The worldwide increase in high sulfur fuel oil prices and Diesel oil continued unabated in FY2022. Effective February 1, 2022 the PUC ordered that a Fuel Recovery Factor of \$.180837/kWh would be effective for meters read on or after February 1, 2022. In March of 2022, the Commission increased the LEAC Factor from \$.180837 to \$.209552 per kWh for meters read on or after April 1, 2022. Then in June of 2022, the PUC approved further increases in the Fuel Recovery Factor: \$.251638 per kWh effective July 1, 2022, and \$.296043 per kWh effective September 1, 2022. The July and September increases alone resulted in a nearly 27% increase in the average customers' bill. In 2022, GPA's cost for diesel fuel and HSFO had risen by 70%. The Gas oil 10 PPM (per barrel) had increased from \$102.12 to \$176.38. The LEAC under-recovery as of June 30, 2022, was \$35.16M.

Recently fuel prices have dropped substantially. There is hope that, in the new year, fuel prices will continue to fall. However, the PUC must keep the Fuel Recovery Factor high enough to recover \$41M, which is the approximate amount of the current GPA under-recovery on fuel (the amount that GPA customers owe to GPA for fuel previously provided).

The PUC took several other significant regulatory actions regarding GPA in FY2022: (1) the PUC approved the GPA/U.S. Navy Utility Service Agreement. This new agreement will be in effect from August 1, 2022, to July 31, 2032. The agreement recognizes that GPA is the sole power provider to the Navy. The agreement provides a guaranteed source of revenues to GPA, as the Navy is GPA's largest customer; (2) the PUC authorized the Cabras 2 major overhaul; (3) the PUC approved GPA's Petition to issue a bond issuance to refinance a portion of GPA's 2012 Series Revenue Bonds. The savings from the bond issuance will be used to assist with the financing of the new Ukudu 198MW power plant; the total bond issuance was \$134M; (4) the PUC approved GPA's 2022 Integrated Resource Plan (IRP). This 10-year plan or "roadmap" provides a plan to achieve the 50% Renewable Portfolio Standard established by the Legislature by 2030. GPA proposes to undertake the procurement of renewable energy contracts with



an annual 300,000MWH by 2025 and another 300,000MWH by 2029. GPA proposes a \$233M budget for necessary infrastructure improvements. All infrastructure expenditures by GPA must have the prior approval of the PUC; (5) the PUC approved a one-year extension of the existing contract between GPA and IP&E Guam Inc. for the Management, Operation and Maintenance of GPA's Fuel Bulk Storage Facility Contract; (6) the PUC approved a contract with TEMES Inc. for Macheche Combustion Turbine Repairs and replacement of the Macheche Turbine package with a fully refurbished gas turbine at a cost of roughly \$4M.

In a major rate case proceeding, the PUC granted GWA water rate increases for fiscal years 2023 and 2024. No increase was granted for FY2022. For FY2023, effective October 1, 2022, the PUC authorized an across-the-board water and wastewater rate increase of 5.5%; and effective October 1, 2023, for FY2024, the PUC authorized an across-the-board water and waster water rate increase of 5.5%.

The amount awarded by the PUC was less than the 10% increases in FY2022 and 2023, and 7% in FY2024 initially sought by GWA in its application. The amounts awarded were also less than the revised amounts sought by GWA in November 2021 in the amounts of 8%, 6.5%, and 6.5% for fiscal years 2022, 2023, and 2024. Both parties to the rate case agreed that GWA Water Loss Control Program was an important aspect of GWA's future operations.

The PUC approved a number of significant GWA projects: (1) provision of additional funding for the Groundwater Production Meter Replacement Project, which is designed to obtain accurate measurements of the volume of groundwater produced from 60 critical production wells; (2) an increase in contract funding for the Tai Road/S-13 and Canada-Toto Loop/Blas Street Waterline Replacement Project; (3) authorization for GWA to procure an Indefinite Delivery/Indefinite Quantity Design-Build Contract and Professional Projects/Construction Management contract for GWA's Island wide Sewer Collection/Transmission System Repair, Rehabilitation and Replacement Project. The total cost for the design-build work for the projects was estimated to be \$13M; and (4) approval of GWA's request to reallocate a portion of the GWA's Series 2020A Bond Proceeds. The PUC approved the reallocation of over \$30,425,000 of the 2020A Bond Proceeds for the Water System Reservoirs 2005 Improvements, as such was a priority "court-ordered" project by the District Court of Guam.

The PUC approved a number of Port Authority Projects: (1) approval of the Waterline Replacement Project with BME & Sons Inc. for replacement of old waterlines and the repair of leaks that were previously detected at the Port compound; (2) approval of a contract with JJ Global Services to repair and upgrade the Equipment, Maintenance, and Repair Building at cost of nearly \$4M; (3) approval of the repair contract for the Agat Marina Dock B Project; and (4) approval of the Contract Award to Sumitomo Mitsui Construction Company for the rehabilitation of Hotel Wharf. This major



construction project, with a cost of over \$46M, is designed to repair and renovate the Hotel Wharf. The project will assist PAG in further modernizing the Port infrastructure and facilities.

The PUC approved the Second Renewal Term of the GSWA Leyon Landfill Operator Contract with GGH Guam. The term will be extended from September 2023 through September 2026. The parties agreed to certain amendments which will save GSWA over \$6M, increase the amount of Solid Waste that the Operator will accept per contract year from 80,000 to 100,000 tons, and provision of Cover Soil Placement for cells 1, 2, and 3 at reduced cost.

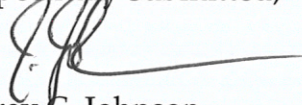
GSWA is in the process of preparing a rate case for filing with the PUC. The PUC continues to support the recommendation that residential refuse collection and removal be made mandatory for all residents. Such legislation will provide increased revenues for GSWA, thereby at least partially mitigating the need for future GSWA rate increases.

The PUC has been active in reviewing proposed bills and providing testimony to the Guam Legislature. The PUC recently provided testimony opposing Bill No. 308-36, which would limit the ability of telecom providers to deduct expenses from E911 surcharge collections to a flat 5%. The PUC also filed testimony supporting the establishment by GPA of a Virtual Power Plant Program.

The PUC looks forward to working with the Executive and Legislative Branches of our Government in enacting legislation that will improve the operations of the utilities. As always, PUC will comment to the Legislative Branch on any proposed legislation affecting the utilities.

If you have any questions concerning the operations of the Guam Public Utilities Commission, please let us know.

Respectfully submitted,



Jeffrey C. Johnson  
Chairman

Enclosure: Attachment A



**Attachment A**  
**Significant Regulatory Action – FY2022**

**Guam Power Authority**

| <i>Date</i> | <i>Docket</i> | <i>Action</i>  |
|-------------|---------------|--|
| 10/28/21    | GPA 22-01     | GPA petitioned the PUC for a one-year Property Insurance Contract Extension with DB Insurance Co., Ltd. The one (1) year extension of the contract is to begin on November 2, 2021 and end on November 1, 2022 at a cost of \$5,777,567 for that coverage period. The PUC determined that the cost of the one (1) year contract extension was reasonable. While the \$5,777,567 cost of the one (1) year extension was \$1,422,567 higher than the annual cost during the contract's initial term, that higher price was caused by challenging conditions in the insurance market due to a multitude of new threats since 2018, such as the current global pandemic emergency, that have caused insurance premiums, to increase. The contract extension was prudent because GPA did not have sufficient time to prepare a new property insurance solicitation. The contract extension was also necessary as GPA is required by its Bond Indenture Agreement to maintain property insurance coverage. Based upon its finding that the contract was reasonable, prudent, and necessary, the PUC approved the one (1) year extension of GPA's Property Insurance Contract with DB Insurance Co., Ltd., by and through its local agent, AM Insurance, for the period of November 2, 2021, to November 1, 2022. |
| 12/2/21     | GPA 20-09     | The PUC reviewed a Preliminary Order signed by Chairman Jeffrey Johnson on November 2, 2021 in this Docket. On September 15, 2021, GPA had implemented a new Net Metering Program Interconnection Policy, AP-072. The policy imposed a requirement that any new net-metering customer must include battery storage or an Energy Storage System in their net-metering systems. In this Docket, the PUC had previously ordered that GPA may not, until certain prerequisites were met, require new net-metering customers to include battery storage in their  |



systems. GPA had not justified such a requirement as it had not established “clear cost causation of NM customers impacting grid reliability.” GPA was required to complete certain studies, including a distribution system impact study and an independent study determining the cost of grid and other services used by NM customers, which identified in detail the value of those services to the NM customers. In the Preliminary Order, the Chairman found that GPA by failing to conduct these studies prior to implementing the new policy requiring battery storage for net metering systems, and by not obtaining PUC review and approval for the new requirement, violated the PUC order in GPA Docket 20-09. On November 2, 2021, the PUC Chairman certified that PUC action on this matter, as well as temporary suspension of the effectiveness of Policy AP-072, could not await further Commission action at the next scheduled meeting on December 2, 2021. He further determined that the implementation of this policy could harm businesses in the solar industry and have a detrimental impact on the government, commercial and residential market for solar energy. The PUC held that the Chairman was authorized, pursuant to 12 GCA §12105(b), to discharge duties of the Commission or exercise its powers under certain circumstances. Prior to issuance of the Preliminary Order, all the Commissioners had designated and authorized the Chairman to issue the Preliminary Order on behalf of the Commission. Having considered the Preliminary of Order of the Chairman dated November 2, 2021, the PUC ratified and approved the Chairman’s Preliminary Order and adopted said Order as its own Order. The implementation of Policy No. AP-072, requiring net-metering customers to have battery storage systems, was suspended by the Commission.

12/2/21 GPA 22-02

This matter came before the PUC upon GPA’s Request for Approval of the Procurement of a Performance Management Contract [“PMC”] for the Management, Operation and Maintenance of the GPA Fuel Farm Bulk Storage Facility. With the procurement, GPA anticipated that the new PMC would commence a 3-year term on October 1, 2022 and continue until



midnight on September 30, 2025. The contract provided for two (2) additional 1-year terms upon the mutual consent of the parties. The PUC found that the draft contract was adequate to require proper performance by the Contractor, and to protect the interests of GPA and the ratepayers. The contract adequately described the obligations of the PMC in detail, including the broad scope of responsibility. The proposed contract provisions followed the format utilized by GPA for this PMC for many years. The PUC approved GPA's procurement of a Performance Management Contract for the Management, Operation and Maintenance of the GPA Fuel Farm Bulk Storage Facility with IP&E LLC.

12/2/21 GPA 22-03

GPA filed its FY2021 Approved Contracts and Obligations pursuant to the Contract Review Protocol. The Report indicated amounts approved by the PUC and the actual expenditures incurred during the preceding fiscal year for GPA's contracts and obligations. The PUC received the Report and reviewed the same (for Informational Purposes).

01/27/22 GPA 22-04

Before the PUC was GPA's Application for Approval of the Contract for Supply of Diesel Fuel Oil with Mobil Oil Guam Inc. Chairman Jeffrey Johnson signed an Order on December 24, 2021, taking interim, emergency action to approve the commencement of the Diesel Fuel Supply Contract. Since there was no December PUC meeting, the Chairman certified that GPA's petition for approval of the Contract could not await Commission action at the scheduled meeting for January 2022. The Administrative Law Judge Report indicated that the new Ultra Low Sulfur Diesel Fuel Oil Bulk Supply Contract between GPA and Mobil Oil Guam, Inc., which would provide the essential fuel supply to run the Piti 7, 8, & 9 units, would commence on January 1, 2022 and expire on December 31, 2023, subject to three (3) 1-year extension options. The Chairman found that a supply of ULSD is necessary for GPA to maintain its electric power generation capacity at the Piti 7, 8, & 9 plants. Since the ULSD Fuel Supply Contract was scheduled to commence on January 1, 2022, it was necessary for the Chairman to take interim, emergency action to approve the



01/27/22      GPA 22-05

commencement of the Fuel Supply Contract. The PUC found that it was necessary for the Chairman to approve the Contract for Supply of ULSD to GPA for the Piti 7, 8, & 9 plants and ratified and approved the Chairman's Order.

GPA petitioned the PUC to set the Levelized Energy Adjustment Clause (LEAC) Factor effective February 1, 2022, for the next 6-month period. GPA sought to maintain the Fuel Recovery Factor at \$0.171458/kWh effective for meters read on or after February 1, 2022. The change would reflect "no increase" in the LEAC factor. The average market price of residual fuel oil and diesel for the period from August 2, 2021 through January 31, 2022 was previously set at \$77.36/bbl however, the projected average price of residual fuel oil and diesel for the upcoming period ending July 31, 2022, was expected to reach \$87.48/bbl. The PUC found that fuel oil prices and the LEAC under-recovery had risen during the past 6-month LEAC period; the LEAC under-recovery had increased significantly. During the present LEAC period, SING HSFO 180 CST prices increased by 16.8%. SING Gasoil 10 PPM increased by 26%. The LEAC under-recovery balance had previously been predicted to be \$7M as of December 1, 2021. However, the actual under-recovery balance as of that date was \$19.7M. The two LEAC price increases on August 1, 2021, and October 1, 2021 had not been sufficient to allow GPA to fully recover its fuel prices. The updated Morgan Stanley fuel oil pricing for January 10, 2022, through January 14, 2022, indicated that fuel prices had increased considerably since GPA filed its Petition on December 2, 2021. While it appeared when GPA's Petition was filed in December 2021 that the LEAC under-recovery would decrease from Feb. 22 to July 22 in the amount of \$3M, it now appeared that the LEAC under-recovery would increase by \$2.6M to \$23,210,000 as of July 31, 2022. Rather than maintaining the LEAC factor at \$0.171458/kWh, the PUC determined that the Factor should be increased to \$0.180837 per kWh to "prevent growth of the under-recovery balance." The PUC ordered that a Fuel Recovery Factor of \$0.180837/kWh would be effective



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| 02/24/22 | GPA 22-06 | <p>for meters read on or after February 1, 2022. For the entire LEAC period, this change represented an increase in the total bill of the average residential customer of 3.49%.</p> <p>The PUC considered GPA's Petition to Approve the GPA/Navy Utility Service Agreement. The present Utility Services Contract under which GPA was currently providing electric service to the U.S. Navy was expiring on July 31, 2022. The Navy is GPA's largest customer. Annually, GPA receives total revenues from Navy in the amount of roughly \$63M. In earlier Dockets, the PUC recognized that the Utility Services Contract provided "a consistent revenue stream to GPA that supplements the remainder of its customer base." The USC also enabled GPA, as the sole company charged with operating and maintaining the Island-Wide Power System (IWPS), to render adequate and efficient electric service to support the DoD's military mission. GPA and Navy had successfully negotiated a new contract for GPA to provide electric utility services to Navy's facilities for the next 10 years, from August 1, 2022, to July 31, 2032. The PUC found that the USC was mutually advantageous to GPA and the Navy. Navy had agreed to transfer certain generation and transmission facilities to GPA. The USC provides GPA with guaranteed demand and assured revenues, and requires GPA to establish annual Navy minimum demands. The Navy recognized the regulatory authority of the PUC to set base rates for GPA electricity service. The PUC approved the Utility Services Contract between GPA and the U.S. Navy.</p> |
| 02/24/22 | GPA 22-07 | <p>Before the PUC was GPA's Application to approve the contract with TEMES, Inc. for the Cabras 2 Overhaul. The Cabras 2 Overhaul was scheduled to begin in September, 2022 and was expected to take fifty (50) days to complete. The cost of the contract was \$4,960,602.00. The overhaul of the Cabras 1 &amp; 2 units was recommended every five (5) years. The last overhaul of Cabras 2 was conducted in 2016. Cabras 2 had been scheduled for an overhaul in March 2020, but the overhaul could not be conducted due to the covid pandemic emergency. Cabras 2 needs an</p>   |



overhaul because it is experiencing significant unit outages and down time caused by boiler tube failures, plant safety valve failures, and insufficient air flow caused by gas and air duct leakage that restrict unit output. The PUC determined that the \$4,960,602 cost for the Cabras 2 overhaul was reasonable. Earlier October 2016 cost estimates for the overhaul of Cabras 1 had been higher (over \$5M). The Cabras 2 overhaul was also found to be “prudent.” Other diesel and solar units were determined not to be sufficient to replace the baseload Cabras 2 unit. To satisfy peak demand, before the new 198MW power plant was completed, GPA needed both Piti 8 & 9 and Cabras 1 & 2 to meet peak demand. The Cabras 2 overhaul was necessary as the overhaul was long overdue at the present time. The PUC approved the GPA TEMES, Inc. Contract for the Cabras 2 Overhaul, at the cost of \$4,960,602.00.

02/24/22 GPA 22-08

On January 28, 2022, GPA had filed its 2022 Integrated Resource Plan (IRP) with the Public Utilities Commission. The ALJ gave a Status Report on the filing and an indication of the review process which the PUC would undertake on the IRP.

03/31/22 GPA 22-09

GPA requested that the PUC approve the Contract for Merchant Services for GPA and GWA. The contract for Merchant Services was provided by First Hawaiian Bank. The Merchant Services provided by First Hawaiian Bank would enable the acceptance and processing of credit and debit card customer billing payments for GPA and GWA. The merchant services would also be provided to the Guam Solid Waste Authority (GSWA). The PUC had previously authorized the procurement for merchant services for GPA, GWA, and GSWA. The proposed contract was for one year for Merchant Bank and Services, with the option to extend for four 1-year periods. First Hawaiian Bank was the most comprehensive and acceptable proposal. The 5-year cost for GPA for the Merchant Bank and Services was approximately \$3M, and \$1.75M for GWA for five years. GPA indicated that First Hawaiian Bank price proposal offered advantageous rates, including Visa Utility Program and Mastercard Utility Industry Program rates (low



interchange rates for utilities). GPA and GWA expected to save \$1M and \$220,000 respectively per year in merchant fees under this new contract. First Hawaiian Bank also agreed to provide all implementation support at no extra cost to the utilities. The PUC had previously determined that the provision of merchant services is beneficial to both utilities and their customers. Credit card payments of utility bills had increased substantially in last few years. The wide availability of such services to customers helps to ensure that the utilities are promptly paid for the services that they provide. The reduced cost of these services has increased customer usage of credit card and online payments of utility bills. The PUC determined that the award of the Merchant Services Contract to First Hawaiian Bank was reasonable, prudent and necessary. The contract awards by GPA and GWA to the First Hawaiian Bank were approved.

03/31/22 GPA 22-10

GPA petitioned the PUC to Approve a Bond Issuance to Refinance a Portion of GPA's 2012 Series A Revenue Bonds. All GPA financial obligations, including Bonds, which are more than \$1,500,000 cost, must be approved by the PUC. The purpose of the issuance was "to achieve debt service savings." The Consolidated Commission on Utilities determined that the issuance of the refunding bonds was "in the public interest." The Guam Legislature had approved the issuance of the refunding bonds in Public Law 36-80. GPA sought to "front-load" the average annual cash flow savings for the years 2024-2030. The average annual cash flow savings were calculated to be \$14M. The front-loading of savings was intended to create more savings for the ratepayers during the initial years of commissioning for the Ukudu power plant (beginning 2024), when costs are generally higher. The \$14M a year would help GPA pay for the new Ukudu generator. Due to legislative delay in approving the bond issuance, the anticipated savings were not as great as previously estimated. GPA estimated that the bond issuance would result in net present value savings of \$7,371,750. The True Interest Cost (TIC) was estimated to be 4.05%. The cash flow



03/31/22

GPA 22-05

savings was estimated to be \$114M from 2022 to 2034. The PUC issued an Order Approving Long-Term Debt, which approved the issuance and sale of the Senior Bonds. The PUC also approved the form of the Eighth Supplemental Indenture. The present value of debt service on the Refunding Bonds was required to be at least two percent (2%) less than the present value of debt service on the prior bonds being refinanced. The PUC approved the bond issuance on the condition that the All-in True Interest Cost (TIC) of the Refunding Bonds shall in no event exceed 4.5%. In a separate Order, the PUC required that GPA submit a petition to the PUC within 45 days after completion of the refinancing of the prior bonds indicating the manner in which the actual savings shall be allocated and the purposes for which GPA intends to expend the savings from the bond issuance.

The PUC decided to reexamine the LEAC ("Levelized Energy Adjustment Clause") factor because the projected increase in the GPA under-recovery during this LEAC period exceeded the \$2M threshold for adjustments under Tariff "Z". GPA indicated that its under-recovery would increase by over \$14.5M if no action was taken during this LEAC period to increase the LEAC Factor. GPA fuel price figures also demonstrated sharp increases in the estimated cost per barrel of RFO from \$84.40 to \$93.69, and from \$101.79 to \$120.74 per barrel of diesel. The Commission determined that, without an increase in the LEAC Factor, the projected GPA fuel cost under-recovery of \$32M would be at the highest level of any previous under-recovery. The under-recovery would likely be the highest in GPA's history. The Commission determined that the LEAC Factor should be increased from \$0.180837 to \$0.209552 for meters read on or after April 1, 2022. Even though the Guam Consolidated Commission on Utilities had not recommended any increase in the LEAC Factor, there was no excuse for a failure to act in raising the LEAC Factor. If the PUC took no action, the LEAC under-recovery could potentially double in this LEAC period. If no action were taken until May 1, 2022, ratepayers could experience an even greater rate increase. The change



05/26/22 GPA 22-08

in the LEAC Factor represented an increase in the total bill of the average residential customer of 10.31%. This matter came before the PUC upon the filing by GPA of its Petition for Review and Approval of the GPA 2022 Integrated Resource Plan (IRP). The IRP is a 10-year plan or “road map” for programs and projects supporting the achievement of the 50% Renewable Portfolio Standard established by the Legislature, as well as providing grid security, stability and reliability. Given the addition of the new Ukudu Power Plan (198MW) and the Cabras Reserve Facility (41MW), the IRP did not propose any new fossil fuel plant generation; however, GPA proposed to undertake the procurement of renewable energy contracts with an annual 300,000 MWH by 2025 and another 300,000 MWH by 2029. GPA estimated a cost of roughly \$233M in projects necessary for additional renewables integration with the grid and other infrastructure costs. Both the PUC and Consultant Daymark Energy Advisors and the Administrative Law Judge found that GPA had made significant improvements in its IRP planning process since 2013. Daymark concluded that “addressing whether the IRP is well conceived and comprehensive, GPA’s support and adoption of renewable energy is consistent with Guam’s policy goals and such a move helps to insulate the island against high fuel costs and fuel price volatility.” Notwithstanding approval of the IRP, the PUC would still have a full opportunity to review the proposed \$233M under the Capital Improvement Plan. Any project costing more than \$1.5M would have to be approved by the PUC under the Contract Review Protocol. The PUC determined that the IRP did not analyze rate impacts. As GPA refines its construction and implementation plans, it was required to assess the rate impact of such plans and provide updated analysis to the PUC. GPA was required to continue to update its IRP and to notify the PUC of updates to the IRP. Based upon its findings, the PUC conditionally approved GPA’s 2022 Integrated Resource Plan, subject to compliance with the conditions and requirements in the Order. GPA was required to include annual rate impacts, including base rates and



05/26/22 GPA 22-11

LEAC costs, for all projects for which approval was requested. GPA was also requested to develop an alternative plan to possibly delay the meeting of the 50% Renewable Portfolio Standards from 2030 to 2035. GPA petitioned the PUC for review and approval of Tristar Terminals Guam, Inc. contract amendment for Bulk Storage Fuel Tanks Inspection and Refurbishment. In the 2019 Tristar Contract, GPA hired Tristar to undertake inspection and refurbishment services for Bulk Storage Fuel Tanks 1934 and 1935, with all labor, equipment and materials included. These tanks are being prepared to receive ultra-low sulfur diesel (ULSD) fuel. Based upon a consultant report, Tristar had requested a change order in the contract at an estimated cost of an additional \$3,140,489.35. The additional work included repairs to the tank's bottom plate, shell plates, roof, and appurtenances. A total of thirteen (13) bottom plates were "in dire need" of replacing. Several corroded weld defects and holes required repair. The biggest repair costs were for the repair of the interior bottom plate and shell. The PUC approved GPA's Petition based upon a finding that the tanks were old and were in very serious need of repair.

05/26/22 GPA 22-13

Before the PUC was the GPA's petition for Approval of the Amendment to the Contract for Residual Fuel Oil No. 6 for the Baseload Power Generating Plants. GPA sought to exercise the first-year contract extension of the Contract with Hyundai Corporation for the period of September 1, 2023, to August 31, 2024. GPA and Hyundai had agreed that there would be no change in the current contract premium fee for the first-year extension of the contract. Unless the parties agreed to the extension at present, there was a possibility that ongoing regional conflict in Europe could lead to global fuel supply shortage and volatility of prices and could further result in higher premium fees in the future due to increased cost in the price of the commodity, the cost of blending components to meet GPA's quality specification requirements, and delivery charges. Due to drastic increases in fuel cost and prices, the estimated cost of the Hyundai



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|          |           | <p>Corporation Contract had increased from \$160,445,436 per year to \$267,621,969 for the proposed first extension year of the contract. The 1-year contract extension was "reasonable, prudent and necessary." The PUC approved the 1-year contract extension between GPA and Hyundai Corporation for supply of Residual Fuel Oil No. 6 for the baseload Power Generating Plants. GPA was authorized to expend up to the annual value of the contract estimated at \$267,621,969.</p>  |
| 05/26/22 | GPA 22-14 | <p>This matter came before the PUC upon GPA's Petition to Approve the Contract Extension for Professional Printing, Mailing and Processing Services. The PUC had previously authorized GPA to extend its contract with Graphic Center Inc. until May 31, 2022. GPA requested that the PUC approve a month-to-month extension of the contract after May 31, 2022 for one year, at a cost of \$300,000. Graphic Center provides GPA with printing, mailing and processing services for approximately fifty-thousand electric power billings each month. GPA had previously awarded a new contract to InfoSend, but Graphic Design Center protested the procurement award. GPA continued to be unable to award a new contract due to Graphic Center's bid protest. The award of a contract extension was prudent because it would prevent a gap in the professional printing, mailing, processing and other services resulting from the application of the automatic stay imposed by Graphic Center's protest on the award of the RFP. The contract extension was also necessary as GPA could not otherwise print, mail and process its bills. The PUC approved the extension of the GPA-Graphic Center Contract and authorized GPA to exercise the month-to-month contract extension up to twelve (12) months or until a new contract is awarded, whichever comes first.</p> |
| 06/16/22 | GPA 22-15 | <p>GPA petitioned the PUC to approve a three (3) step increase in the fuel recovery factor. As a result of fuel increases after GPA filed its petition, it requested an increase of \$0.251638 effective July 1, 2022, \$0.296043 effective September 1, 2022, and \$0.342338 effective November 1, 2022. The PUC determined that "self-insurance" funds of GPA should not be used to</p>  |



9/29/22 GPA 22-16

purchase fuel. Such funds were designed primarily to address damages from typhoons. However, since fuel oil prices had drastically increased since January of this year, GPA had no option other than to propose increases in the LEAC Factor. GPA's cost for diesel fuel and HSFO had risen by 70% this year; the price of SING Gas oil 10 PPM (per barrel) had increased from \$102.12 to \$176.38. If the PUC did not increase the LEAC factor at all, the under-recovery balance as of the end of January 2023 would be \$87M. The LEAC under-recovery as of June 30, 2022 was \$35.16M. With the proposed increases, the LEAC under-recovery would still slightly increase by the end of the 6-month period. The PUC determined that it would approve the first two requested increases, but not the increase for November 1, 2022. The first two increases would result in a nearly 27% increase. As to the requested increase for November 1, 2022, the PUC determined that it would further assess the impact of the first two-step increases at its October meeting. The PUC ordered that the secondary Fuel Recovery (LEAC) factor of \$0.251638/kWh would be effective for meters read on and after July 1, 2022, and the secondary Fuel Recovery (LEAC) Factor of \$0.296043/kWh would be effective for meters read on or after September 1, 2022. Before the PUC was GPA's Petition for Extension of the Term of the Lease Agreements for Pipeline and RFO Storage with Tristar Terminals Guam Inc. GPA sought PUC approval to extend the Tristar pipeline and residual fuel oil storage leases for an additional three years. Tristar is the manager of the Port Authority of Guam's F-1 Fuel Pier Facility. The Facility User Agreement between GPA and Tristar allows GPA to discharge from, or load fuel onto, GPA's vessels at the F-1 Dock. GPA also leased certain Residual Fuel Oil Storage at Tristar's "Agat Terminal" under an RFO Storage Lease Agreement. GPA indicated that the fees under the extended Pipeline Agreement would remain at the rate of \$47,195.86 per month and \$566,350.44 annually, which was the same rate negotiated in 2018. The fees under the extended RFO Storage Lease Agreement would remain at the prevailing rate of \$1,933,820.14 per year, based on a



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|          |           | <p>storage capacity of 422,125 barrels of fuel. GPA further indicated that for following years there would continue to be reduction in the annual lease fee based upon GPA's reduced need for storage capacity. The PUC approved GPA's Petition: GPA was authorized to extend the Pipeline Agreement with Tristar Terminals, Inc., for an additional 3 years, at an annual cost of \$566,350.34. GPA was further authorized to extend the RFO Storage Lease Agreement with Tristar Terminals Inc., for an additional 3 years, at an annual cost of \$1,933,820.14.</p>   |
| 09/29/22 | GPA 22-17 | <p>The PUC considered GPA's Petition to extend the Dock Facility Agreement with Tristar Terminals, Guam Inc., relative to handling and receiving fuel oil import deliveries at the F-1 Fuel Pier Facility. The fuel pier is where petroleum products, like gasoline and oil, and non-petroleum products, are offloaded, discharged, and distributed. Since 2013 GPA has contracted with Tristar for the handling and receipt of fuel oil deliveries to GPA's storage facilities. GPA and Tristar had negotiated an extension of the Dock Facility Contract through March 31, 2026. The fees would be unchanged and have not been changed since 2013. The annual estimated cost for the management fee is \$1,924,512.00 per year, for a total of \$5,773,536.00 for the additional 3 years. The PUC determined that if GPA was unable to enter into the Facility User Agreement, it would not have the necessary Dock Facility at which vessels commissioned by GPA could load and unload fuel oil. Without the use of the F-1 Dock Facility, GPA would be unable to obtain the fuel necessary to supply its power plants or to provide electricity to the ratepayers. The PUC approved GPA's request to extend its Dock Facility Contract with Tristar through March 31, 2026, at an estimated annual cost of \$1,924,512.00.</p> |
| 09/29/22 | GPA 22-18 | <p>Before the PUC was the Petition of GPA for Review and Approval of GPA's Request to Extend the Management, Operation and Maintenance of GPA's Fuel Bulk Storage Facility Contract with Isla Petroleum and Energy, LLC ("IP&amp;E Guam") for an additional 1-year period. IP&amp;E's present contract was for a base period of 2 years, with two 1-year</p>   |



extensions. The second extension of GPA's current Fuel Bulk Storage Facility Contract with IP&E terminates on September 30, 2022, with no further extensions provided in the Contract. In May of this year GPA issued a Multi-Step Invitation for Bid for the Management Operation and Maintenance of the Fuel Bulk Storage Facility. However, the IFB was cancelled in May 2022 due to non-compliance by all proponents with a requested affidavit submittal document. On June 2, 2022, GPA issued a Re-Bid for the Multi-Step IFB, GPA-015-22. GPA anticipates a delay in the award of a Contract. GPA and IP&E have negotiated a mutually agreed upon 1-year extension of the existing contract which would commence on October 1, 2022 and end on September 30, 2023. GPA now requests that the PUC approve this 1-year extension of the Contract. The Guam Consolidated Commission on Utilities found that there is a need to extend the existing contract with IP&E "to ensure continued operation and maintenance of the facility for the uninterrupted supply of fuel to GPA's baseload and peaking units...". The PUC found that unless the contract is extended, GPA would be without a contractor to maintain the Fuel Bulk Storage Facility upon the termination of the contract on September 30, 2022. The cost for this contract extension will increase from last year's cost of \$911,662.13 to \$1,118,000.00. The PUC determined that the cost increase was reasonable. IP&E's costs had increased across all its operations, including for terminal staff, security services, and for contractors that perform work within the facility. Furthermore, there were increases in management and operations costs, such as LEAC. In this 1-year extension, IP&E would deliver ULSD, in addition to RFO, to the baseload plants and Piti 8 and other plants. The PUC further found that the parties had broad amendment powers under the contract which allowed them to extend it. Here, as in other cases, an extension was justified where GPA was prevented from entering a new contract because of delays in the procurement process. If there were no contract extension, GPA would not have a contractor to run the facility and there could be an interruption in



the supply of fuel to its baseload and peaking units. Continuation on the contract was justified on the ground of "necessity." The PUC approved the 1-year extension of the contract between GPA and IP&E Guam for the Management, Operation and Maintenance of the GPA Fuel Farm Bulk Storage Facility, from October 1, 2022, to September 30, 2023. GPA was authorized to expend up to the amount of \$1,118,000.00 for the additional 1-year contract extension.

09/29/22      GPA 22-19

GPA requested that the PUC approve the Contract with TEMES, Inc. for Macheche Combustion Turbine Repairs. GPA sought to replace the Macheche Turbine package with a fully refurbished gas turbine. The Turbine replacement and repairs would cost \$3,953,417.60, using revenue funds. TEMES is presently GPA's Performance Management Contractor to provide operation and repair services for the Macheche CT. TEMES has been the PMC for the Macheche CT since March 1, 2016. TEMES issued a request for bids and determined that Gas Turbine Investments was the lowest responsible bidder at a cost of \$3,953,417.60. GPA had provided data to the PUC indicating that the "run time" hours of the Macheche CT since 2016 had been more than 27,000 hours. Over the past year usage had increased. The gas turbine had previously been replaced with a refurbished gas turbine in 2016. The PUC determined that, unless the refurbished gas turbine were installed and the repairs undertaken, the Macheche unit would only have limited availability for emergency use operation. A borescope inspection of the CT in August 2021 had indicated that the thermal element of the hot section had been damaged in many places. The CT can no longer be operated safely. The turbine generator has exceeded the recommended service life of 25,000 hours. The PUC ordered that the Macheche Combustion Turbine Repairs requested in the GPA Petition and the replacement of the existing turbine package, with a fully refurbished gas turbine, were approved. GPA was authorized to expend up to the amount of \$3,953,417.60, using revenue funds, for the Macheche CT repairs and the refurbished gas turbine.



09/29/22 GPA 22-20

GPA petitioned the PUC to approve Bond Refinancing Savings for Capital Lease and Operations and Maintenance expenses of the Ukudu Power Project. On March 31, 2022, the PUC had previously approved GPA's refunding of the 2012 Series A Revenue Bonds [the "2022 Series A Revenue Refunding Bonds Forward Delivery"]. In its Order, PUC had required that GPA submit a petition to the Commission indicating the way the actual savings would be allocated, and the purposes for which GPA intended to expend the savings from the bond issuance. In P.L. No. 36-80 the Guam Legislature required that savings and annual debt service payments from the refunding shall be utilized specifically for the direct benefit of the ratepayers. GPA proposed to reserve the savings for the benefit of the Community by making a strategic investment in the Ukudu Power Project. GPA proposed to use the Bond Refunding Program savings towards the Capital Lease and Operating and Maintenance Expense of the Ukudu Power Project. GPA's Chief Financial Officer estimated that expenses for the new Ukudu plant for the first 10 years would be approximately \$70M per year, or a total \$700M. GPA proposed to apply the savings from the Bond Refunding of roughly \$87.2M in cash flow savings to offset GPA's expenses for the Ukudu plant. The PUC determined that the savings from the refunding would help to minimize the burden on ratepayers from the cost of Ukudu plant. The PUC approved GPA's proposed use for the Bond Refinancing savings as set forth in its Petition. All Bond refinancing savings were required to be expended for, and allocated to, the Capital Lease and the O&M Expense of the Ukudu Power Project.

#### **Guam Waterworks Authority**

| <i>Date</i> | <i>Docket</i> | <i>Action</i>  |
|-------------|---------------|--|
| 10/28/21    | GWA 22-01     | Before the PUC was GWA's Petition to approve the Indefinite Delivery Indefinite Quantity ("IDIQ") Contract Amendment No. 3, to Execute Task Order No. 8, with Brown and Caldwell to Complete Interim |



10/28/21      GWA 22-02

Water Resource Master Plan Update ("WRMP"). In June of 2019, GWA entered an "Owner-Engineer" [IDIQ] contract with Brown and Caldwell for Project Management and Construction Management Services. The contract was amended on several occasions to add projects and increased cost. Amendment No. 3 would add Task Order No. 8 to Brown and Caldwell's scope of work, which would task it with completing an update to GWA's 2018 Water Resource Master Plan Update. This update will review GWA's progress on system recommendations and capital improvement projects. Task Order No. 8 would increase the Brown and Caldwell IDIQ contract by \$361,841.00. GWA submitted that 60% of the total contract amount is funded by bond funds, and 40% funded by USEPA grants. The WRMP update will include a summary of the financial planning work recently completed, including the 2020 Consulting Engineer's Report, and the PUC Analytical Studies. Also included is an update of GWA's water system hydraulic model. The PUC found that Task Order No. 8 would assist GWA's continuing commitment to improve its operation, effectively manage the CIPs, and improve customer service. GWA's engineering construction services contract plays a vital role in GWA's successful and timely completion of its construction projects. The PUC approved GWA's petition and authorized GWA to enter into Amendment 3 to the June 17, 2019 Agreement with Brown and Caldwell, with a cost increase in the amount of \$328,946.00. The ten percent (10%) contingency of \$32,895.00 was not approved. GWA requested that the PUC approve Change Order No. 5 with Giant Construction Corp. for the Groundwater Production Meter Replacement Project. The main objective of the Production Meter Replacement Project for 60 critical production wells was to obtain accurate measurements of the volume of groundwater produced from the wells. Completion of the project was critical to GWA's water loss control program on meeting its overall water loss objectives. The Groundwater Production Meter Replacement Project was awarded to Giant Construction. The work includes demolition of the existing production well



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| 10/28/21 | GWA 22-03 | <p>             piping, valves and supports, disposal of the old pipes and valves, disconnection of the Chlorination system and electrical lines, and installation of the new piping as well as other items. GWA now sought approval of Change Order No. 5 to continue replacement of 15 additional critical production wells and above-ground discharge piping and meters to meet the original intent of the project. The cost for Change Order No. 5 was \$741,744.65. The sources of funding for the Change Order were GWA bond funds and other funding sources. The PUC determined that the cost increase for the Giant Construction Contract was justified. There was a compelling need to replace well piping and meters for well sites at various locations. Without replacement of the meters, GWA would be unable to properly measure groundwater that is produced from the wells. GWA would also be unable to track distribution system losses and improve non-revenue water calculations. GWA's Petition was approved; GWA was authorized to enter Change Order No. 5 with Giant Construction Corporation at an additional funding cost of \$741,744.65.           </p> |
|          |           | <p>             GWA requested that the PUC approve Contract Amendments with Duenas Camacho &amp; Associates, Inc. to Complete Phase 3 Tank Inspection and Repairs, District Metering and Pressure Zone Realignment, Deep Wells GAC System Installation and Rehabilitation, and Waterline Replacements. On October 26, 2021, the Guam Consolidated Commission on Utilities approved an additional \$2,000,000.00 of funding to the GCA contract. This expenditure was ordered "to enable execution of multiple task orders, to include Project Management and Construction Management for Phase 3 Tank Inspection and Repairs; Construction Management of District Metering Area and Pressure Zone Realignment Construction; Construction Management of Deep Wells A-23 and A-25 GAC [Filter] System Installation; construction management for the rehabilitation of Groundwater Wells A-02, A-12, D-05, and F-03; and construction management for the Waterline Replacement Project. According to GWA, the additional funding will allow GWA to issue additional task orders related to the           </p>   |



above projects. The CCU found that these projects will allow GWA to continue to make improvements to the water system and will improve water supply, reduce water loss, create pressure zones, repair/maintain water storage reservoirs, and install new water lines. These projects are in line with GWA's Five Year Capital Improvement Program. Several projects will address GWA's water loss management. The launch of the District Metered Areas and Pressure Zone Realignment projects, and continuation of the Waterline Replacement project, endeavored to stem GWA's water losses. The PUC approved an additional amount of \$1,681,058.00 for its current contract with Duenas Camacho & Associates, Inc., for the projects set forth in GWA's Petition. The PUC did not approve GWA's request for an additional contingency amount since all PUC-approved GWA contracts are already subject to a 20% contingency above the authorized amount.

12/2/21      GWA 22-04

The matter before the PUC was the Petition of GWA for approval of Change Order No. 2 with Giant Construction Corp. for the Tai Road/S-13 and Canada-Toto Loop/Blas Street Waterline Replacement Project. Change Order No. 2 will upgrade the existing small diameter galvanized service laterals currently connected to the old 6-inch ACP line, serving several homes along Taison Road, with a large 6-inch main to improve service laterals, at a cost of \$558,135.00. In April of 2021, the PUC approved the Contract with Giant Construction for the Waterline Replacement. The PUC determined that the project was necessary to address the increasing frequency of water outages in the Canada-Toto Loop area and recurring waterline breaks. Change Order No. 2 changes the existing contract scope with Giant Construction to replace the 1 to 1 and ¼-inch galvanized pipe along Taison Road with new 6-inch diameter PVC pipes, installs fire hydrants for fire protection, and relocates existing service water meters from the entrance of Taison Road to the front of each house. The PUC determined that the project had not initially included Taison Road, a branch road connected to the Canada-Toto Loop. Residents of Taison Road had water flow and pressure



01/27/22

GWA 22-05

issues which would not be improved within the original scope of construction. GWA determined that Change Order No. 2, proposed by Giant Construction, was consistent with the original scope of the project. The Taison Road breakage and pressure issues remain and should be addressed as soon as possible. The PUC approved Change Order No. 2 for the Taison Road waterline and service lateral, and connection work. GWA was authorized to spend an additional amount of \$558,135.00 for Change Order No. 2, bringing the total contract cost to \$2,520,173.00. The usual cost contingency of 20% indicated in GWA's Contract Review Protocol would be applicable. GWA petitioned the PUC to Procure an Indefinite Delivery/Indefinite Quantity Design-Build Contract and an Indefinite Delivery/Indefinite Quantity Professional Project/Construction Management Contract for GWA's Island wide Sewer Collection/Transmission System Repair, Rehabilitation, and Replacement Project. GWA sought PUC approval of an invitation for bid for design-build services and a request for a proposal for projecting construction management services which will support GWA's Sewer Collection/Transmission System Repair, Rehabilitation, and Replacement Project. GWA submitted that the design build services and construction management services were necessary to repair, rehabilitate and replace gravity mains in the wastewater system. The design and construction services include obtaining permits, and repair, rehabilitation and replacement of GWA's sewer collection and transmission system in various locations island wide. The bid items include mobilization, sewer cleaning, CCTV inspections and assessments, bypass pumps and sewer flow control, point repairs, cured-in-place pipe installation, new pipe installation, new manhole installation, and manhole removal. The Request for Proposals include Professional Project/Construction Management Services to support IDIQ Design-Build for the Island wide Sewer Collection/Transmission System Repair, Rehabilitation, and Replacement projects. GWA estimates that the total cost of the design-build work



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|          |           | <p>for the projects identified in its 2018 Water Resources Master Plan Update is about \$13M. The projected source of funding for this contract is bond proceeds, grants, and System Development Charge funds. The PUC found that the subject procurement of these contracts was reasonable, given that the improvement and repair of GWA's sewer collection and transmission system is necessary for the protection of human and environmental health and to retain access to service providers who can perform emergency repairs. The PUC approved GWA's Petition and authorized it to issue an IFB for design build services and an RFP for project construction management services which will support GWA's Sewer Collection/Transmission System Repair, Rehabilitation, and Replacement Project.</p>   |
| 02/24/22 | GWA 22-06 | <p>GWA requested that PUC authorize the issuance of an Invitation for Bid (IFB) to Procure Property, General Liability and Other Insurance Services. Property Insurance is required under GWA's Revenue Bond Indenture. Its current insurance coverage was set to expire on May 1, 2022. GWA is anticipating that the contract for insurance will exceed \$1M per year. The Commission has determined that GWA is required to maintain insurance on the System with responsible insurers in such amounts and against such risks (including accident to or destruction of the System) as are usually maintained by prudent operators of systems similar and similarly situated to protect its interests and the interests of bond owners. Furthermore, the availability of property insurance potentially benefits ratepayers regarding the protection of system assets. The PUC approved GWA's procurement of a contract for insurance as indicated in GWA's Petition.</p> |
| 04/28/22 | GWA 22-07 | <p>Before the PUC was GWA's Petition for Approval of the Award for the Multi-Year Procurement of Automotive Gasoline, Regular Unleaded, and Diesel Fuel Oil No. 2, for the GWA Transportation Fleet. GWA seeks to supply Diesel Fuel Oil No. 2 and Regular Unleaded Automotive Gasoline for GWA's Transportation Fleet and Heavy Equipment; fuel is needed Agency-Wide for all GWA's vehicles and</p>  |



equipment. IP&E Holdings, LLC ["IP&E"] was determined to be the lowest responsive and responsible offeror. GWA sought to award a 3-year contract, with an option to extend for two additional one (1) year terms, to IP&E, for Regular Unleaded Automotive Gasoline and Diesel Fuel Oil No. 2. GWA estimated that it would use 32,000 gallons per year of diesel fuel at \$2.802 per gallon for a total 3-year cost of \$268,992.00. GWA estimated that it would use 85,000 gallons per year of Automotive Gasoline, Regular Unleaded, at \$2.925 per gallon, for a total 3-year cost of \$745,875.00. The total 3-year cost for Diesel Fuel and Gasoline Regular Unleaded is \$1,014,867.00; for the 2-year option period, the total estimated cost for Diesel Fuel and Regular Unleaded was \$676,578.00. Thus, the total cost for the 3-year term plus two additional 1-year option renewal periods was \$1,691,445.00 for IP&E's multi-year contract term. The PUC determined that the proposed contract appeared to adequately protect the interests of GWA and the ratepayers. The contractor is required to supply all the Fleet Fuels acquired by GWA. It will provide gas station fleet cards at no cost to GWA. All fleet purchases will be indicated by invoices accompanied by product delivery receipts. The payment terms will be 30 days net. The Contractor indemnifies GWA, its employees and the CCU against all damages. GWA may terminate the contract for default by the Contractor or for GWA's convenience. GWA is also protected by Bid and Performance Bonds for Goods and Services. Funding is from operating funds. The PUC approved the Contract Award to IP&E Holdings LLC for the supply of Regular Unleaded, Automotive Gasoline, and Diesel Fuel Oil No. 2. GWA was authorized to expend up to the amount of \$1,691,445.00 for the gasoline and fuel.

05/26/22      GWA 22-08

GWA requested that the PUC approve the Contract for Property Insurance, General Liability Insurance, and Other Insurance under GWA IFB No. 2022-09. The PUC previously authorized GWA to procure insurance to cover GWA's system, assets, management and personnel. Only one bidder, AM Insurance, submitted a bid. GWA proposed an award to AM



Insurance for its 5-year term option as the sole bidder with the lowest priced bid. The insurance includes general liability, directors, officers and employment practice liability, automobile, and crime insurance for a total combined annual premium of \$1,775,122.00, and a total five (5) year contract award of \$8,875,608.00. As previously determined by the PUC, Section 6.06 of GWA's Bond Indenture requires GWA to maintain insurance on its system "in such amounts and against such risks (including accident to or destruction of the System) as are usually maintained by prudent operators of systems and similarly situated to the System and which it shall deem advisable or necessary to protect its interests and the interest of the Bond owners." The PUC has previously determined that the need for GWA to procure property insurance is clear; the availability of property insurance will potentially benefit ratepayers regarding protection of system assets since "insurance proceeds can assist recovery efforts after natural disasters such as typhoons or earthquakes." The PUC determined that the proposed contract would represent a substantial increase over the prior 5-year contract. Under the prior contract, the premium was \$967,834 per year and \$4,839,170 total for the 5-year term. Under the proposed Contract, the annual premium would be \$1,775,112 per year and \$8,875,608 total for the 5-year term. The Commission found that under current circumstances GWA did not have any viable options. AM Insurance was the sole bidder, but there is little likelihood that a "rebid of the contract would result in lower costs." GWA's Risk Consultant determined that the commercial insurance lines procured to cover GWA's system, assets, key officers, and personnel, coverage amounts, and deductibles and terms were "appropriate." The current insurance market generally indicated rising premiums given current global events. GWA agreed that it would examine the insured property and determine whether any items could be excluded from coverage. The PUC approved GWA's contract for insurance with AM Insurance for coverage as indicated in the Petition, and at a total cost of \$8,875,608.00 for the five-year term. Within ninety



09/22/22

GWA 19-08

(90) days from the date of the Order, GWA was required to file a report with the PUC indicating any alternatives, proposals, or remedies it is considering to reduce insurance cost, what discussion it has had with the Risk Management Consultant in this regard, and any steps that it has taken or implemented to reduce such costs.

In Phase 2 of the GWA Rate Proceeding, the PUC considered GWA's application to raise water rates for fiscal years 2022, 2023, and 2024. In Phase 1, the PUC had awarded GWA water and wastewater base rate increases of 5.0% in FY 2020 and 5.0% in FY 2021. In its initial Rate Application in Phase 2, GWA requested rate revenue increases of 10% in both FY 2022 and FY 2023, and 7% in FY2024, along with increases to GWA's Legislative Surcharge. In the proceeding, GWA submitted several reports/studies, Demand forecasting, a comprehensive system-wide Water Loss Reduction program, a Cost of Service/Rate Design Study, an Affordability Study (concerning the ability of low-income ratepayers to afford the rapidly increasing water and waste rates), Financing capital and alternatives to Bond issuance, and others. GWA submitted revenue schedules and financial models, cash flow projections and other expenses in support of its rate application. However, the PUC Consultant, Georgetown Consulting Group ["GCG"] upon its review, did not recommend that any increase be awarded to GWA. GCG stated that the GWA would receive \$14.4M in federal relief under the American Rescue Act funds and that GWA's proposed "Affordability" program, which would cost \$5.6M, should not be funded and should be deferred. In GCG's opinion, GWA did not need a rate increase. Public hearings were heard on the rate application in Northern, Southern, and Central villages of Guam in 2021 on November 3, 4, and 5 respectively. The Administrative Law Judge conducted an evidentiary hearing on November 8-9 2021. GWA again revised the relief it sought and then requested increases of 8%, 6.5%, and 6.5% for fiscal years 2022, 2023, and 2024. The PUC Consultant GCG continued to object to any rate increase. GWA also requested certain proposed



new residential and sewer rate charges. During the evidentiary proceeding, GWA and the U.S. Navy agreed that Navy's wastewater rate should be set to a "cost of service rate" of \$12.18 per k-gal. GWA and GCG disagreed on the proper amounts for salary and benefit expenses. GWA requested \$29.6M. GCG recommended approximately \$2M less per year than GWA's proposal. Regarding GWA's Water Loss Control Program, GCG noted that the GWA study presented encouraging strategies for reduction in water loss. However, water losses have been "chronic and continued." GCG did note that GWA's approach showed "significant improvements and results compared to the past efforts." After considering the record and the evidence, the ALJ recommended to the PUC a 4% increase for the remainder of FY 2022, a 3.25% increase in FY 2023, and a 6.5% rate increase for FY 2024. At its special meeting on September 22, 2022, the PUC considered the recommendation of the ALJ and the positions of GWA and the PUC Consultant GCG. The PUC did not award an increase for FY 2022, but ordered that for FY 2023, effective October 1, 2022, there would be an across-the-board water and wastewater rate increase of 5.5%; and effective October 1, 2023, for FY 2024, an across-the-board water and wastewater rate increase of 5.5%. Increases for the Legislative Surcharge of 3.5% and 3.4%, in FY 2023 and 2024 respectively, were authorized. GWA was temporarily authorized to utilize the debt service coverage ratio of no less than 1.3x for its 5-Year Financial Plan. No rate structure changes to GWA's existing water and wastewater rates were approved in the proceeding. GWA was required to proceed with projects and programs identified in its Water Loss study, including implementation of the prescribed DMA program. It was also required to provide the PUC with semi-annual reports, using metrics prescribed by the AWWA Water Loss Control Committee, regarding real water loss reduction and other subjects.

09/29/22 GWA 22-09

The PUC considered GWA's Petition for Approval to Reallocate a Portion of GWA's Series 2020A Bond Proceeds. The objective of the bond proceed



reallocation was to allocate additional funding to the Court-Ordered tank/reservoir projects. GWA's management sought to reallocate \$30,425,000 of the 2020A Bond Proceeds from projects which already have been completed or could be deferred and for which funds are not immediately needed. In Public Law No. 32-069, the Guam Legislature authorized GWA to issue the Series 2020A Bonds. The authorized amount for issuance of the Bonds was not to exceed \$134,400,000.00. GWA now sought to reallocate the amount of \$30,425,000 from other projects to "PW09-11 Water System Reservoirs 2005 Improvements." The reallocated amount was to be deducted from other proposed bond projects. The PUC determined that the water tank reservoir Improvements project was a "Court-Ordered" project, ordered by the U.S. District Court of Guam. As such, it was a priority project that has deadlines and cannot be deferred. Therefore, there was a convincing justification for the reallocation of bond proceeds for the Court-Ordered Water Tanks/Reservoir projects. GWA Bond Counsel had confirmed that the reallocation was consistent with the Bond Indenture, as the projects to which the reallocation of funds would be made were projects already approved under the Bond Issuance. No projects or specifications are materially changed. GWA confirmed that there would be no adverse effect from the deferral of the projects listed. The PUC approved the reallocation of \$30,425,000 of the Series 2020A Bond proceeds from various deferred CIP line items to increase funding for the CIP line item for PW09-11 "Water System Reservoirs 2005 Improvements."

#### **Port Authority of Guam**

| <i>Date</i> | <i>Docket</i> | <i>Action</i>  |
|-------------|---------------|--|
| 02/24/22    | PAG 22-01     | Before the PUC was PAG's Petition for Review and Approval of the South Pacific Petroleum Corporation (SPPC) Contract related to the delivery of Ultra Low Sulfur Diesel fuel to its Load Centers, Above Ground |



Storage Tank, and Gantry Cranes. The Port needs sufficient fuel for its cargo handling operations and is required to ensure that such operations continue 24 hours daily. PAG utilizes ULSD fuel of about 15,000 gallons per month. On November 29, 2021, PAG issued IFB PAG-022-002. SPPC offered the lowest responsive and responsible bid of \$2.757 per gallon of ULSD, or about \$468,690 per year for 170,000 gallons of ULSD. The IFB provides for an initial 3-year term with two additional option years. The invoice cost of the ULSD is calculated based on a formula under which the invoice price is the sum of the previous month's average cost of the fuel plus the premium fee. PAG anticipates spending approximately \$460,000.00 per year on fuel and delivery. The PUC determined that the Port needs sufficient fuel for its cargo handling operations and to ensure uninterrupted operations based upon the services that it offers, as well as the fact that SPPC has its own terminal at the Port. SPPC is clearly qualified to provide the services set forth in the IFB. The PUC approved the PAG Petition and authorized PAG to enter the proposed contract with SPPC for the delivery of ULSD to the Port's Gantry Cranes, load centers, and above-ground storage tank. The authorized cost is up to \$468,690.00 per year for 170,000 gallons of ULSD, for an initial 3-year term with two additional option years.

02/24/22      PAG 22-02

PAG requested PUC Approval of the Procurement Contract Award to BME & Son's Inc. for the Waterline Replacement Project. The existing main waterlines of PAG are over 50 years old, with some being asbestos pipes. The Waterline Replacement Project involves replacing existing old main waterlines at PAG and the repair of numerous water leaks that were previously detected in the Port compound. The project also envisions relocating the main service feed line within the container yard to a new routing along the Route 11 roadway. PAG issued an Invitation for Bid for the Waterline Replacement Project in September of 2021. The responsible and responsive bidder with the lowest price was BME & Sons Inc. BME submitted a bid amount of \$4,856,568.91. The scope of the project included the abandonment of the existing 6-inch



diameter waterline, the 10-inch diameter waterline, the 12-inch diameter waterline, and 16-inch diameter waterline. New waterline and a new 16-inch waterline will be provided along Route 11. New 12-inch diameter PVC main waterline will be placed inside the PAG compound, and 6-inch diameter PVC waterlines to the fire suppression system will be placed within the buildings and hydrants in the container yard. It is a complex project with a detailed scope and requires a high level of contractor expertise. The PUC found that the Waterline Replacement Project was justified. Recent breaks in the waterlines have hindered Port operations and created a safety hazard to Port personnel and to the safe movement of commercial cargo and Port cargo handling equipment. The project is intended to remedy the situation of water leaks. The PUC determined that the opposed agreement between the Port and BME contained adequate provisions to protect the interests of the Port and its customers. The PUC also determined that the amount of the contract award was reasonable. BME bid of \$4,856,568.91 was substantially less than three of bids and was still over \$140,000 less than the second lowest bidder. However, BME's bid was 73.5% higher than the PAG Consultant estimate in 2019 (\$2.8M). PAG determined that the BME bid should be accepted; prices for products have increased considerably since 2019 and since the IFB was issued in December 2021. The Waterline Project was urgently needed. The Project will assist PAG in further modernizing the Port infrastructure and facilities. The Invitation for Bid Procurement Contract Award to BME & Son's Inc. for the Waterline Replacement Project was approved. PAG was authorized to expend up to the amount of \$4,856,568.91 for the approved Contract Award for the Waterline Replacement Project.

03/31/22      PAG 22-03

The matter came before the PUC upon the PAG Petition for Review and Approval of the Contract related to Repairing and Upgrading the "EQMR Building" (Equipment, Maintenance and Repair Building). In November 2021, PAG issued an Invitation for Bid which sought services of a contractor to complete repairs and upgrades to the EQMR



Building. JJ Global Services was the lowest responsible and responsive bidder with a bid of \$3,980,000.00. The EQMR Building is 24,000 square feet and was constructed in 1968. There will be various renovations to the building. The contractor is tasked with renovating the existing Facility Maintenance offices, supply office, and storage area, and is responsible for all structural repairs. The contractor will also build a new mezzanine floor for the office spaces. This project is bond-funded and has previously been approved by the PUC and the Guam Legislature. The PUC determined that the contract was necessary to prevent further deterioration of the building and to eradicate the risk of concrete shedding and falling from its structures. The contract will ensure a safe working environment for the Port's maintenance and operations personnel. The PUC approved PAG's Petition and authorized it to enter the proposed contract with JJ Global Services for construction services to repair and upgrade the EQMR Building at a total cost of \$3,980,000.00.

06/16/22      PAG 22-04

Before the PUC was PAG's Petition for review and approval of the AIC International, Inc. contract related to the Agat Marina Dock B Project. The Agat Small Boat Marina is comprised of 4 docks (Docks A through D), which provide berths for commercial and recreational boats, and live-aboard sail boats. The Agat Marina suffered extensive damage in 2013 from Tropical Storm Wipha. PAG secured federal funding for the project. In March of 2022, PAG issued an Invitation for Bid to solicit construction works for the Agat Marina Dock B project. AIC was determined to be the lowest responsive and responsible bidder. The scope of work for the project requires AIC to obtain the services of an A/E engineering consultant to develop plans, provide load computation and specifications with respect to the design necessary for the fabrication and installation of a new "Dock B" facility. During the construction phase, AIC will provide all labor, materials, tools, and equipment necessary for the Dock B facility. The duration of the



06/16/22      PAG 22-05

project is 243 days, and according to AIC's Bid, the total cost for the project is \$1,494,750.00. \$500,000 federal grant funds will fund the project and the remainder of the cost, \$994,750.00, will be internally funded by PAG. The PUC approved the bid award and the proposed contract with AIC. PAG was authorized to spend the amount of \$1,494,750.00 for the Agat Marina Dock B Project.

PAG's Petition sought the Review and Approval of the Procurement Contract Award to Sumitomo Mitsui Construction Company for the Rehabilitation of Hotel Wharf and Highway 11 Roadway Reconstruction. In October of 2021, PAG issued a Rebid of the Construction Rehabilitation of Hotel Wharf and Highway 11 Roadway Reconstruction. Only one company submitted a bid: Sumitomo Mitsui Construction Company ["SMCC"]. PAG determined that SMCC was a responsible and responsive bidder, with a submitted bid amount of \$59,683,065.00. There were extensive price negotiations between PAG and SMCC. The parties agreed to break up the project into three phases. Phase 1 was procurement and installation of all steel piling works for the Wharf. Phase 2 included the installation of the west and east wall piles and other marine structures such as bulkhead concrete works. The total negotiated cost for Phases 1 and 2 was \$46,331,895.00. Phase 3 was not included in the pricing and would be evaluated and awarded upon available funding. The performance period for the contract is 735 calendar days from the issuance of the notice to proceed. Hotel Wharf was built between 1948-1953. The proposed construction involved the replacement of existing wharf structures, construction of a new sheet pile bulkhead retaining wall and a new concrete surface to prevent the existing wharf from collapsing into Apra Harbor. The Wharf construction involves replacement of underground facilities. The PUC determined that PAG has established the existence of a need for the Hotel Wharf Construction Rehabilitation Project. The "Determination of Need", issued by the Port in April of 2021, indicated that the Port operates the only commercial seaport in Guam, as the primary sea port



in Micronesia, and serves as a trans-shipment hub for the entire Western Pacific Region. Continuity of commerce and the sustaining of uninterrupted marine transportation into Guam and the Micronesian Region is contingent upon the dependability and resiliency of Port Assets and Infrastructure. The PUC noted that the Guam Legislature, in a various public laws including Public Laws 32-155, 34-70, and 35-44, had approved the H-Wharf project. The project was deemed to be “critical to preserving marine industrial capabilities in the CIP schedule.” Furthermore, the parties had exercised their best efforts in negotiating the project scope and reaching a reasonable amount for the contract award. The Port presented a detailed funding plan such that sufficient funds were available to the Port, including \$15M in American Rescue Plan Act Funds, to fund the project. The PUC determined that a substantial increase in the cost of this project was impacted by world economic conditions, inflation and supply chain issues. It was not likely that rebid of the project would lead to a lower price proposal. The PUC further found that SMCC was imminently qualified to perform the Contract. The proposed agreement for the Hotel Wharf Construction Rehabilitation project protected the interest of the Port and its Customers. The PUC approved the Invitation for Bid Procurement Contract Award to Sumitomo Mitsui Construction Company for the Rehabilitation of Hotel Wharf and Highway 11 Roadway Reconstruction. PAG was authorized to expend the amount of \$46,331,895.00 for the approved Contract Award for Phases I and 2. The project will assist PAG in further modernizing the Port infrastructure and facilities.

09/29/22      PAG 22-06

PAG petitioned the PUC for Approval of the Award to AM Insurance for the Port Authority of Guam’s Insurance Coverage. In August of 2022, PAG issued an Invitation for Bid for insurance coverage for the Port. The Port determined that the sole bidder, AM, was the most responsible and responsive bidder with a low bid of \$3,545,119.30. The insurance coverage included liability, property, automobile and crime, and Directors and Officers liability. The policy also



includes coverage for physical loss and damage to all real and personal property of the Port, caused by earthquake, flood, typhoon, loss of revenue, business interruption, etc. The Port's assets were also insured for marine liability. The term of the proposed contract is five consecutive years. The PUC found that the purchase of insurance coverage safeguards PAG's assets from risks such as natural disasters and catastrophic events and provides coverage for liabilities resulting from PAG's operations. Such insurance coverage benefits ratepayers regarding protection of assets by assisting recovery efforts after natural disasters. The PUC further determined that insurance coverage is essential to PAG's compliance with its bond covenants. The PUC approved PAG's contract for insurance with AM Insurance for the coverage indicated in the Petition. PAG was authorized to purchase such insurance at an annual premium cost of \$3,545,119.30.

#### **Guam Solid Waste Authority**

| <i>Date</i> | <i>Docket</i> | <i>Action</i>  |
|-------------|---------------|--|
| 09/29/22    | GSWA 22-01    | Before the PUC for consideration was the Petition of GSWA for Review and Approval of Amendments to the Leyon Landfill Operator Contract. The current operator of the Leyon Landfill was GGH Guam. Its current contract would expire on September 30, 2023. The Petition sought to extend the term of the Contract through September 2026, to implement certain cost savings in contract amendments which are advantageous to GSWA, and to add additional contract provisions that will improve the efficiency of the Landfill operations. The PUC found that under the existing contract, GSWA was specifically authorized to renew the Leyon Landfill Operator Contract for a "Second Renewal Term." GSWA indicated that it was satisfied with the current Operator's services. GGH Guam has had experience in operating the Landfill since 2013. Under such circumstances, it did not make sense for GSWA to go through a new complicated bid procurement process for a new Operator. In the proposed Second |



Amendment to Assignment Agreement, GSWA and GGH Guam agreed that there would be a 7.323% reduction in the current Base Operating Fee, which annually had been over \$2.8M per year. Also, any future adjustments would be capped to no more than 5% and in accordance with an agreed formula. The total 3-year cost for the second renewal option would be \$11,655,720.05. The overall cost savings to GSWA from this amendment was projected to be \$6,364,998.00 for the years 2022 through 2026. Previously the Operator had charged GSWA for Acceptable Waste which exceeded 80,000 tons; under the Second Amendment, the Operator would accept 100,000 tons per contract year and only receive additional compensation of \$25.00 for tonnages exceeding that level. The Operator also agreed to other provisions including additional Cover Soil Placement for cells 1, 2, and 3 at reduced prices. The PUC determined that the continuation of the current contract was in the interest of GSWA and its ratepayers. The existing contract had been in effect for 11 years, and the contract established a well-planned and regulated system for the operation of the Landfill. The PUC approved the extension of the Operator Leyon Landfill Contract with GGH Guam from October 1, 2023 through September 30, 2026. GSWA was authorized to expend up to the total amount of \$11,655,720.05 for the extension of the Contract for fiscal years 2023, 2024, and 2025. All Amendments to the Contract, as set forth in the SECOND AMENDMENT TO ASSIGNMENT AGREEMENT TO OPERATE THE LEYON LANDFILL, were approved. GSWA was authorized to enter the SECOND AMENDMENTS with GGH Guam as Operator.

## Telecommunications

Docomo Pacific Inc.

| <i>Date</i> | <i>Docket</i> | <i>Action</i>  |
|-------------|---------------|--|
| 09/29/22    | Docomo 22-01  | The PUC issued its annual certification to the Federal Communications Commission and the Universal |



Services Administration Company that Docomo Pacific Inc., is eligible to receive federal high-cost support for program year 2023. PUC certified that Docomo Pacific Inc., used such support in the preceding calendar year and would use such support in the coming calendar year for the provisioning, maintenance and upgrading of facilities and services for which the support is intended, consistent with section 254(e) of the Communications Act.

Teleguam Holdings, LLC, dba GTA

| <i>Date</i> | <i>Docket</i> | <i>Action</i>  |
|-------------|---------------|--|
| 09/29/22    | GTA 22-01     | The PUC issued its annual certification to the Federal Communications Commission and the Universal Services Administration Company that Teleguam Holdings LLC, is eligible to receive federal high-cost support for program year 2023. PUC certified that Teleguam Holdings LLC, used such support in the preceding calendar year and would use such support in the coming calendar year for the provisioning, maintenance and upgrading of facilities and services for which the support is intended, consistent with section 254(e) of the Communications Act. |

|         |           |   |
|---------|-----------|---|
| 9/29/22 | GTA 22-02 | The PUC issued its annual certification to the Federal Communications Commission and the Universal Services Administration Company that TeleGuam Holdings, LLC, f/k/a Pulse Holdings LLC, is eligible to receive federal high-cost support for program year 2023. PUC certified that TeleGuam Holdings, LLC, f/k/a Pulse Holdings LLC used such support in the preceding calendar year and would use such support in the coming calendar year for the provisioning, maintenance and upgrading of facilities and services for which the support is intended, consistent with section 254(e) of the Communications Act. |
|---------|-----------|---|

PTI Pacifica  
Inc.



| <i>Date</i> | <i>Docket</i> | <i>Action</i>   |
|-------------|---------------|---|
| 09/29/22    | PTI 22-01     | The PUC issued its annual certification to the Federal Communications Commission and the Universal Services Administration Company that PTI Pacifica Inc., is eligible to receive federal high-cost support for program year 2023. PUC certified that PTI Pacifica Inc. used such support in the preceding calendar year and would use such support in the coming calendar year for the provisioning, maintenance and upgrading of facilities and services for which the support with intended, consistent with section 254(e) of the Communications Act. |

### **PUC Administrative Matters**

| <i>Date</i> | <i>Action</i>  |
|-------------|--|
| 01/27/22    | The PUC approved its FY2021 PUC Annual Report.   |
| 04/28/22    | The PUC reviewed its Financials in an ongoing process assisted by Commissioner Doris Flores Brooks.                            |
| 05/26/22    | The PUC approved the FY2021 PUC Citizen Centric Report.  |
| 06/16/22    | The PUC approved the hiring of a new part-time Assistant to the Administrator.   |
| 09/29/22    | The PUC renewed its 9 Consultant Agreements for one-year terms and approved an Employment Agreement for the PUC Administrator. |
|             | The PUC continued the Part-time employment of the Assistant to the PUC Administrator.  |
|             | The PUC approved the FY 2023 Administrative Budget/Annual Assessment Order.  |