

Guam Public Utilities Commission

Citizen Centric Report for Fiscal Year 2014



About the Guam Public Utilities Commission

PUC is an independent regulatory commission, separate from the Executive and Legislative branches, which has been created by Guam law pursuant to requirements in Federal law. PUC is governed by seven commissioners who serve six-year terms under appointment by the Governor and confirmation by the Legislature. PUC's enabling legislation is contained under Guam Code Annotated Title 12.

Under Guam law, PUC regulates the rates and rate impacting procurements of Guam Power Authority, Guam Waterworks Authority, the Guam Solid Waste Authority, the Port Authority of Guam and the Guam International Country Club (Guam Municipal Golf Course). PUC also has authority over certain aspects of the telecommunication companies that do business on Guam including E911 Surcharge.

The PUC is obligated by law to ensure that rates for each utility are sufficient to fund its necessary operations and to meet its contractual obligations, bond, and other financial obligations. The PUC must also ensure that rates for ratepayers are "just and reasonable," which means that rates reflect the costs of providing such utility services.

Ratepayer Bill of Rights

When a utility seeks a rate increase, the PUC must conduct proceedings in accordance with the rights of ratepayers under the Ratepayer Bill of Rights. The fundamental rights of the ratepayers include:

- the right to receive clear and adequate notice of any proposed rate increase;
- the right to be fully informed about and to fully evaluate any proposed rate increase, as well as the finances of a Public Utility; and
- the right to give input and participate in any proposed rate increase.

The PUC is required to conduct three public hearings for each rate increase. The PUC conducts various types of hearings on regulatory matters, including requests for rate increases, public opportunity to comment on proposed rulemaking, proposed agency action, and contested or disputed matters between utilities or telecom companies.



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Mission

The PUC is a regulatory body that sets rates for certain utilities and entities on Guam.

Commissioners

The Governor of Guam appoints, with the advice and consent of the Guam Legislature:

- 2 members from the business community of Guam,
- 1 member who is a certified public accountant,
- 2 members (each of whom have training experience in at least one of the following areas: power generation, telephone, water/sewer utilities, or marine terminal operations/transportation via ocean common carrier) with an additional requirement that the two members have training or experience in different areas, and
- 2 members who are from the community at large.

The Commissioners during FY 2014 include:

Filomena M. Cantoria
Jeffrey C. Johnson
Joseph M. McDonald
Michael A. Pangelinan
Peter B. Montinola
Rowena E. Perez
Andrew L. Niven

How We Have Progressed

The Guam Public Utilities Commission strives for just and reasonable utility rates for the residents of Guam. Significant regulatory actions for FY 2014 are listed below. The following table shows a summary of matters heard by the Commissioners at PUC's meetings:

	Number of matters heard	Number approved	Number denied
Guam Power Authority	24	17	7
Guam Waterworks Authority	10	8	2
Telecommunications	11	11	0
Guam International Country Club	0	0	0
Port Authority of Guam	11	10	1
Guam Solid Waste Authority	1	1	0

Guam Power Authority

- PUC approved the installation of Oxidation Catalyst Retrofits for 10 diesel peaking units. Such installation was required by the RICE MACT standards implemented by the United States Environmental Protection Agency.
- The PUC approved funding of \$1,022,500 for GPA's Program Management Office (PMO) as a one-time expense from LEAC; however future use of the LEAC (Levelized Energy Adjustment Clause) was denied for the funding of capital projects or expenditures related to Liquefied Natural Gas (LNG). Beyond FY2014, GPA was ordered to properly budget for recovery of all PMO and LNG costs. PUC ratified certain Program Management Office charges for work that had already been done; however, the PUC found that GPA violated a prior PUC Order by expending amounts in excess of the authorized PUC limit for the PMO Contract.
- For every year, the PUC sets the "levelized energy adjustment clause" for ratepayers. The LEAC sets the price per kWh that ratepayers must pay for fuel. In Feb. 2014, the LEAC was decreased by 3.28%; in Aug.2014 the LEAC was increased by 1.30%.
- PUC determined that, despite the expenditure of a substantial amount of funds, there had not been any recent improvement in the reliability of the GPA power system. GPA was ordered to undertake a concerted and prioritized program to determine what measures were necessary to realize a significant improvement in system reliability.
- PUC approved GPA's Procurement of Phase II Renewable acquisition. GPA was authorized to solicit bids for up to 40 MW of renewable energy.
- PUC denied GPA's request for additional funding for its Program Management Contract for \$440,000 for FY2014 and \$880,000 for FY2015. GPA had failed to respond to significant PUC concerns about the PMO office and had not provided proper project spending details for the work proposed. PUC also denied a subsequent request by GPA for an additional \$1,022,500 for the PMO contract as the petition was not adequately supported.
- PUC denied GPA's request for a 50% reduction in the self-insurance surcharge. Such surcharge provides funds which GPA utilizes in the event of emergencies, typhoons, and other disaster events. Any reduction could leave GPA without sufficient funds in the self-insurance fund to address the event of a major typhoon.
- PUC found that GPA had virtually no programs in place to encourage ratepayers to conserve energy. PUC ordered that a Demand Side Management and Energy Efficiency program be developed.

Guam Waterworks Authority

- The PUC approved GWA's Five Year Rate Plan, with the following rate increases: 1) 15% for FY2014; (2) 14.5% for FY2015; (3) 16.5% for FY2016; (4) 7% for FY2017; and (5) 4% for FY2018. The rate increases were needed for projects required by the 2010 Federal Court Order.
- PUC granted GWA's request to issue \$195M in Water and Wastewater Bonds. These amounts were needed to fund projects in accordance with the Federal Court Order.
- PUC approved a \$2.6M increase in the Program Management Office Contract with Brown & Caldwell in order to assist GWA in meeting the deadlines and completion of projects required by the Federal Court Order. PUC subsequently approved an additional \$2.6M increase in the PMO Contract for completion of the Stipulated Court Order projects.
- PUC approved GWA's request to issue bonds refunding the 2005 bond series. The refunding bonds were required to have a present value of debt service of at least two percent less than the present value of debt service on the bonds being refinanced.

Telecommunications

- PUC approved annual certifications to the Federal Communications Commission that TeleGuam Holdings LLC, (GTA), Guam Telecom LLC, and PTI Pacifica Inc. were eligible to receive federal high-cost support for FY 2014 and FY2015.
- PUC approved the Interconnection Agreement between TeleGuam Holdings LLC and Choice Phone LLC.
- PUC approved the Interconnection Agreement between Pacific Data Systems, Inc., and TeleGuam Holdings LLC. A “Phase 2” proceeding was established to arbitrate certain “Unbundled Network Element Rates.”
- PUC determined that GTA had a duty to provide certain survey maps of GTA facilities to Pacific Data Systems, Inc., in accordance with the Parties’ Interconnection Agreement.

Guam International Country Club

- No rate increases have occurred since 2008.

The Port Authority of Guam

- PUC approved a 5.65% increase to PAG’s Terminal Tariff rates effective March 2, 2014.
- PUC approved PAG’s \$10M loan with Bank of Guam for Service Life Extension repairs, the acquisition of cargo handling equipment, and upgrades to the Financial Management System.
- PUC approved PAG’s Management Agreement with TriStar Terminals Guam, Inc. for the operation of the F-1 Fuel Pier Facility. For the five year term, the contract will cost \$2.775M.
- PUC approved PAG’s Performance Management Contract with Marine Technical Services for the Maintenance of the POLA cranes at an estimated annual cost of \$1,020,000.
- PUC considered whether the present PAG transshipment charges were sufficient to cover all of PAG’s costs, including personnel, shipping expense, etc. After considerable review of the issue by PUC and PAG, PAG proposed to include the issue of transshipment rates in its future Five Year Tariff Petition rather than addressing the issue at the present time. The PUC approved PAG’s proposal.
- PUC approved PAG’s Contract with AIC related to the Agat Small Boat Marina Docks C, D, and Floating Dock Improvement project at a cost of \$1,593,208.00.
- PUC approved the PAG Contract with BME & Sons, Inc. related to the Marine Service Life Extension Wharf Repair Project at a cost of \$4,541,635.00.

The Guam Solid Waste Authority

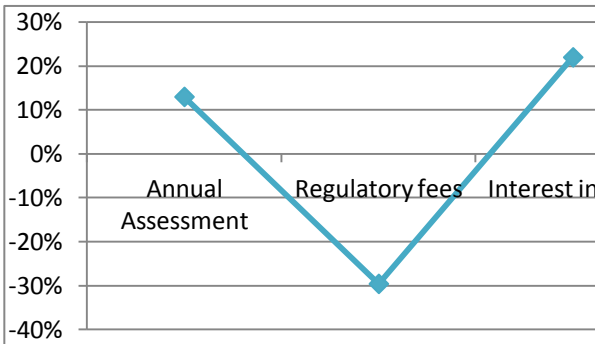
In accordance with PL 30-165, the PUC assessed Host Community Premium Surcharge Fees, for the benefit of the Villages of Ordot and Inarajan, for the period of September 1, 2011, to September 30, 2012. Such fees had not previously been assessed. PUC held that the Reserve in the Host Community Premium Surcharge Fund presently held by the Receiver GBB should be applied to the past due assessments. The Receiver was required to report to the PUC on the payment of such past due assessments.



Revenues and Expenses

Revenues

For the Fiscal Years Ended September 30, 2014 and September 30, 2013

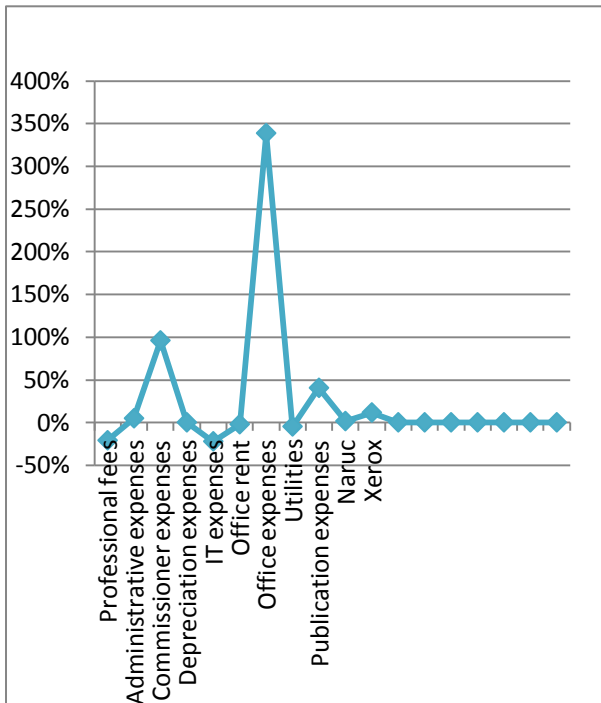


Revenues	2014	2013	% Change
Annual assessment	\$429,700	\$ 381,750	+12.56%
Regulatory fees	\$709,241	\$1,006,781	-29.55%
Interest income	\$ 579	\$ 473	+22.41%
Total*	\$1,139,520	\$1,389,004	-17.96%

*Amounts may not add due to rounding.

Expenses

For the Fiscal Years Ended September 30, 2014 and September 30, 2013



Expenses	2014	2013	% Change
Professional fees	\$932,222	\$1,180,791	-21.05%
Administrative expenses	44,000	42,000	+4.76%
Commissioner expenses	146,573	74,831	+ 95.87%
Depreciation expenses	407	-	0%
IT expenses	8,572	11,023	-22.23%
Bad debts	-	-	-
Office rent	28,075	28,713	-2.22%
Office expenses	13,012	2,967	+338.55%
Utilities	4,122	4,331	-4.82%
Publication expense	25,284	17,941	+ 40.92%
Naruc expenses	1,703	1,678	+1.48%
Xerox	4,063	3,643	+11.52%
Total*	\$1,208,034	\$1,367,918	-11.68%

*Amounts may not add due to rounding

Operational Expenses

PUC's operational expenses can be divided into two categories and are budgeted and collected as follows:

- General administrative expenses, which are budgeted each fiscal year by PUC and divided and assessed among the regulated utilities
- Regulatory expenses, which are incurred pursuant to a Commission resolution, dated August 13, 2007. These expenses include professional and out-of-pocket expenses, which are billed to specific utilities under regulatory dockets assigned to them to cover the expense of handling specific regulatory proceedings related to them. FY2014 professional fee expense increased due to the number of rate proceeding matters before the PUC.

Administrative Budget

The administrative budget covers the Commission's administrative expenses, including staff, office facilities, Commissioner Stipends and training, professional fees, and other operational expenses.

PUC is classified as another stand-alone governmental unit, not a component unit of GovGuam, and therefore is not included in the annual GovGuam audits. Most recent financial statements can be found at PUC's website at <http://www.guampuc.com/about-us>. Previous financial statements can be found at the Guam Legislature's website at <http://www.guamlegislature.com>.

Outlook and Challenges Ahead



PUC's Outlook

With its current full complement of seven Commissioners, the PUC has been able to adequately address its caseload in a professional and timely manner. The PUC staff presently consists of two contractual employees. Thus, much of the work of the Commission is done by outside regulatory consultants. In the future the Commission hopes to build a solid staff of in-house contractual employees that can handle the caseload of Commission and reduce its regulatory costs and expenses. Due to its limited resources, in prior years the Commission has expended most of its efforts in responding to regulatory requests of the utilities. More recently, the Commission has been able to open dockets on its own initiative and perform a true regulatory role in seeking to improve the operations and efficiency of the utilities.

In FY2014, the caseload remained consistent with that of the last few years. PUC has been able to handle its workload with a small staff and within available regulatory resources.

Likelihood of Future Rate Proceedings

The PUC is increasingly faced with utilities that require replacement and repair of aging infrastructure. GPA has recently sought to construct new combined cycle plants. The Port Authority is replacing wharf and dock facilities, cranes, and other equipment. GWA is obligated to implement the infrastructure improvements required by the Federal Court Order. These improvements may likely lead to rate proceedings in FY2015 and the years ahead. At present the tipping fees of GSWA are not sufficient to pay the expense and debt service on bonds. This may cause future pressure on rates. Despite the challenges, the Commission is committed to handling its duties in the upcoming year in a professional and efficient manner while ensuring that rates continue to be just and reasonable.



Prepared by: PUC Administrator Lourdes R. Palomo and PUC Legal Counsel Frederick J. Horecky

Commissioner Vacancies

The Public Utilities Commission currently does not have any commissioner vacancies. PUC's enabling legislation mandates that any PUC action requires the affirmative vote of four commissioners at a meeting with a quorum of four commissioners.



We want to hear from you! Do you like this report? Do you think it should contain any other information? Please call Lourdes Palomo, Public Utilities Commission Administrator, at (671) 472-1907.