

Guam Public Utilities Commission

Citizen Centric Report for Fiscal Year 2012



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 (previously the Department of Public Works' Division of Solid Waste Management), 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 rule making, 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 2012 include:

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

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 2012 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	27	26	1
Guam Waterworks Authority	6	5	1
Telecommunications	24	22	2
Guam International Country Club	0	0	0
Port Authority of Guam	8	8	0
Guam Solid Waste Authority	1	1	0

Guam Power Authority

- The PUC approved a base rate increase of 3.39% on the total bill for the average residential customer.
- 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. 2011, the LEAC was slightly decreased by 0.092%; in Aug. 2011 the LEAC was decreased by 1.95%.
- PUC approved GPA's new Fuel Hedging Program; the program involves call options, puts, and an array of instruments that can be used by GPA to hedge fuel cost and protect customers against price swings in the price of fuel.
- PUC authorized GPA to proceed ahead expeditiously with implementation of the Smart Grid Project with streamlined contract review; purchase of Smart meters/Advanced Meter Infrastructure and network communications were approved.
- PUC approved GPA's Performance Management Contract for the management, operation, and maintenance of the GPA Fuel Farm Bulk Storage Facility with Vital Energy Inc.
- PUC approved the new GPA Utility Services Contract with the U.S. Navy. The Contract replaces the prior Customer Services Agreement with the Navy.
- PUC approved GPA's bond refinancing/restructuring plan, which was designed to reduce debt service payments on the existing bonds.

Guam Waterworks Authority

- The PUC approved a rate for the treatment of leachates from the Leyon Landfill whereby GWA will charge Guam Solid Waste Authority \$14.19 per thousand gallons of leachate.
- PUC approved GWA's request to reprogram \$23M in bond funds, subject to retention of \$20M in bond funds by GWA to pay an obligation owed to the Government of Guam.
- PUC approved GWA's award of its Insurance Contract to AM Insurance for property, General Liability, directors and officers, automobile, and primary insurance, etc..

Telecommunications

- GTA sought to consolidate its corporate organization under Teleguam Holdings LLC. PUC approved the assignment and transfer of Guam Telecom LLC's Certificate of Authority and Eligible Telecommunications Certificate to Teleguam Holdings LLC.
- PUC certified that GTA Telecom LLC, Teleguam Holdings LLC, Pule Mobile, and PTI Pacifica Inc. dba IT&E will use federal support funds only for purposes for which support is intended consistent with Section 254 (e) of the Communications Act.
- PUC denied a petition by the Bureau of Information Technology (BIT) which sought a finding that GTA was providing 5 megabit Metro Ethernet Services to the Government of Guam since 2007 without a proper tariff, in violation of law. BIT had also sought a refund. PUC held that it lacked jurisdiction over the 5-megabit Metro Ethernet Services, as such services were "interstate" in character and non-regulated.
- PUC approved Guam Telecom LLC's request for a \$2.00 increase in business telephone line and key-line service charges,
- PUC decided to retain its current methodology for assessment of PUC Administrative expenses for telecommunications companies.
- PUC approved a stipulation for virtual collocation arrangements between GTA and PDS at the Guam International Airport Authority.

Guam International Country Club

- No rate increases have occurred since 2008.

The Port Authority of Guam

- The PUC approved a general across the board increase for Port fees in the amount of 3.9%, including entry fees, dockage fees, security fees, maintenance fees, utility connection fees, wharfage fees, and stevedoring/transshipment fees.
- PUC approved the Petition of PAG to purchase three Port of Los Angeles [POLA] cranes that were owned by Matson and Horizon.
- PUC approved a \$12M loan between PAG and ANZ Bank which would finance the purchase of the POLA Cranes by PAG

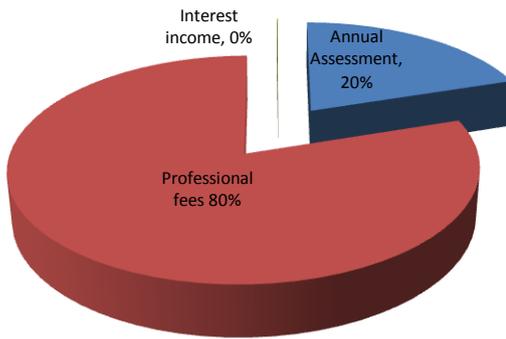
THE GUAM SOLID WASTE AUTHORITY

- The PUC approved Host Community Premium Benefit surcharges of \$3.57 per ton assessed upon commercial customers and \$.38 per month upon residential customers. The Guam Legislature determined that these surcharges were for the benefit of the Villages of Inarajan and Ordot for the “detriment” of having landfills in their communities. Each village will receive the amount of \$150,000.00 per year as a “Premium.”

Revenues and Expenses

Revenues

For the Fiscal Years Ended September 30, 2012 and September 30, 2011

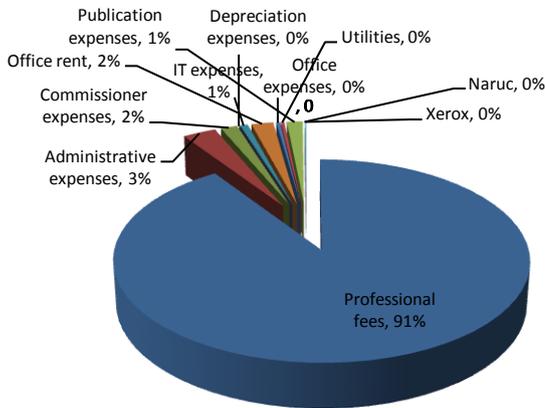


Revenues	2012	2011	% Change
Annual assessment	\$305,105	\$291,834	4.55%
Regulatory fees	\$1,018,943	495,378	105.69%
Interest income	475	804	40.92%
Total*	\$1,324,523	\$788,016	68.08%

*Amounts may not add due to rounding.

Expenses

For the Fiscal Years Ended September 30, 2012 and September 30, 2011



Expenses	2012	2011	% Change
Professional fees	\$1,214,778	\$613,040	98.16%
Administrative expenses	40,000	38,000	5.26%
Commissioner expenses	16,803	16,391	2.51%
Depreciation expenses	-	-	-
IT expenses	9,438	5,500	71.60%
Bad debts	-	-	-
Office rent	26,463	25,504	3.76%
Office expenses	4,181	1,733	141.26%
Utilities	4,239	4,113	3.06%
Publication expense	19,107	16,414	16.41%
Naruc expenses	1,650	1,602	3.00%
Xerox	3,693	3,241	13.95%
Photocopies	-	-	-
Total*	\$1,340,352	\$725,538	84.74%

*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. FY2012 revenues increased due to the high volume of Regulatory 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

The caseload of the Public Utilities Commission has continued to grow as was previously anticipated. The Guam Power Authority has presented varied and complex issues involving fuel hedging protocols, bond refinancing and restructuring, and implementation of rate design and demand charges.

The Telecommunications caseload has also grown; there have been disputes between telecom companies which required PUC resolution and the presentation of new tariffs and individual case basis tariff filings. Nonetheless, PUC has been able to handle its workload with a small staff and within available regulatory resources.

Possible Rate Increases for Ratepayers

During the last fiscal year, three utilities had major rate increases: GPA, GWA, and PAG. It is likely that rising prices for fuel and other goods will continue to exert pressure on utility 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 has one commissioner vacancy. 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.