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 the 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.

Table of Contents

About the Guam PUC ............................................ 1
How We Have Progressed ............................. 2-3
Revenues and Expenses ............................. 4
Outlook and Challenges Ahead ................. 5

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 2015 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 2015 are listed below. The following table shows a summary of matters heard by the Commissioners at PUC’s meetings:

<table>
<thead>
<tr>
<th>Guam Power Authority</th>
<th>Numbers of matters heard</th>
<th>Number approved</th>
<th>Number denied</th>
<th>Number granted in part; denied in part</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guam Waterworks Authority</td>
<td>18</td>
<td>0</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Telecommunications</td>
<td>6</td>
<td>6</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Guam International Country Club</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Port Authority of Guam</td>
<td>4</td>
<td>4</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Guam Solid Waste Authority</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Guam Power Authority

- The PUC authorized GPA to expend up to $3,340,000 for completion of the new Customer Care & Billing (CC&B) software implementation. This software is designed to replace the outdated and inefficient billing system.
- The PUC approved revenue bond funding for capital improvement projects in the amount of $66M. The major project approved was 40MW battery storage for Renewable Energy Mitigation. This storage is designed to improve system reliability and power quality, and to reduce under frequency outages.
- For every year, the PUC sets the “levelized energy adjustment clause” for ratepayers. The LEAC rate the price per kWh that ratepayers must pay for fuel. Effective February 1, 2015, the PUC approved a decrease in the LEAC factor for a six month period of 18.2% on the total bill. Effective August 1, 2015, the PUC increased the LEAC factor by 1.4% on the total bill, a lower increase than requested by GPA.
- The PUC approved the termination of the Energy Conversion Agreement for the operation of the Tanguisson Power Plants. The purpose was to take the Tanguisson 1 & 2 plants out of operation and to “mothball” the plants.
- The PUC denied GPA’s petition to approve its procurement for new generation combined cycle units of 120MW, with an option for an additional 60MW. The PUC found that GPA had not provided sufficient information to justify the new generation and had not examined less expensive alternatives generation.
- The PUC approved GPA’s implementation of four “Demand Side Management” programs: Central AC, Ductless AC, and Washer & Dryer. GPA provides monetary incentives for ratepayers to purchase energy efficient appliances and to conserve energy.
- The PUC ordered an investigation and analysis of whether the life of Net Metering credits given by GPA to customers, should extend for more than a year, rather than expiring at the end of each year.
- The PUC authorized GPA to extend its contract for the Supply of Residual Fuel Oil No. 6 with Hyundai Corporation for an additional three year term. According to GPA, the resulting estimated total savings was $46,226,415 for the three year term.
- The PUC approved GPA’s petition to procure an Energy Storage System (40MW Energy Battery Storage) at a cost of $35M.

Guam Waterworks Authority

- The PUC authorized GWA to increase its rates for FY2015 by 14.5%, compressed at a rate of 17.4% effective December 1, 2014, and to be recovered over the 10-month period ending September 30, 2015.
- GWA requested that PUC approve a $5,3M increase in the Program Management Office (“PMO”) contract with Brown & Caldwell. The PUC approved the increase. The funds were necessary for critical deadlines under GWA’s Capital Improvement Program, for engineering advice on critical issues, and for an update of GWA’s Master Plan.
The PUC approved a 16.5% rate increase for GWA for FY2016. In light of GWA’s forthcoming request for a bond issuance, it was important for PUC to adhere to its original five year rate plan.

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 FY2015 and FY2016.
- GTA sought PUC approval for the sale and transfer of control of Teleguam Holdings LLC to Telekomunikasi Indonesia International (USA) Inc. The PUC found that the sale would not inhibit the ability of GTA to continue to provide telecommunication services to the people of Guam. There was also a required finding that the sale would not be contrary to the public interest.
- The PUC determined that GTA had a duty to provide Fiber Layout Maps to Pacific Data Systems Inc..

Guam International Country Club

- No rate increases have occurred since 2008.

The Port Authority of Guam

- The PUC approved the Port’s five year contract for implementation and integration services for its Terminal Operating System at a cost of $4,135,112.36. The Terminal Operating System is designed to track cargo from the vessel from the time it is unloaded to the time it is located in the yard.
- The PUC authorized the Port to enter into a United States Department of Agriculture Rural Development Community Facility direct loan. The purpose of the loan is to purchase eight terminal yard tractors, a telescopic boom lift, a compact articulated boom lift, an industrial street sweeper, two portable dual operation welding machines, and four 5-ton forklifts.
- The PUC approved the Port’s contract for engineering and professional services regarding implementation of the Terminal Operating System, rate adjustments, and technical services during the construction phase of the Marine Service Life Extension Project at the Port’s wharfs.

The Guam Solid Waste Authority

- No matters were brought by GSWA to the PUC in FY2015.
Revenues and Expenses

Revenues

For the Fiscal Years Ended September 30, 2015 and September 30, 2014

<table>
<thead>
<tr>
<th>Revenues</th>
<th>2015</th>
<th>2014</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual assessment</td>
<td>$478,810</td>
<td>$429,700</td>
<td>+11.43%</td>
</tr>
<tr>
<td>Regulatory fees</td>
<td>$811,339</td>
<td>$709,241</td>
<td>+14.40%</td>
</tr>
<tr>
<td>Interest income</td>
<td>$621</td>
<td>$579</td>
<td>+7.25%</td>
</tr>
<tr>
<td>Total*</td>
<td>$1,290,770</td>
<td>$1,139,520</td>
<td>+13.27%</td>
</tr>
</tbody>
</table>

*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. FY2015 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

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.

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. For the future the Commission hopes to build a solid staff of in-house contractual employees that can handle the caseload of the Commission. In recent years the Commission has been successful in reducing its consulting and regulatory costs. 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 FY2015, 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 is now seeking to construct 180MW of 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. At least some of these improvements may lead to rate proceedings in FY2016 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

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.