

# Guam Public Utilities Commission

## Citizen Centric Report for Fiscal Year 2010



### 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 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 2010 include:

Filomena M. Cantoria  
Jeffrey C. Johnson  
Joseph M. McDonald  
Michael A. Pangelinan  
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 2010 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
<b>Guam Power Authority</b>	17	14	1
<b>Guam Waterworks Authority</b>	7	4	0
<b>Telecommunications</b>	16	12	1
<b>Guam International Country Club</b>	1	0	0
<b>Port Authority of Guam</b>	7	7	0

## Guam Power Authority

- The PUC approved a base rate increase of 4.2%, which had been delayed since 2008.
- 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. 2010, the LEAC was increased by 10.5%, based on rising fuel prices; in Aug. 2010 the LEAC was decreased by 3.3%.
- An order was approved for the use of bond fund proceeds by GPA for 12 distribution projects, including substation upgrades, pole hardening, fire protection upgrades, underground extensions, lateral projects, and other projects.
- A resolution was approved for a proactive policy and plan with regard to the evaluation, development and implementation of Small Modular Nuclear Power Reactors within Guam, subject to the full licensing and approval of the Nuclear Regulatory commission and the satisfactory of all applicable safety requirements.

## Guam Waterworks Authority

- In October 2009, rates increased 14% in the first year of a five-year rate plan approved by the PUC. In October 2010, water rates increased 8% for the second year in accordance with the five-year plan approved by the PUC in 2009.
- An order was approved for a schedule of system development charges and fees, to be imposed upon GWA customers, for water and wastewater services. Such charges and fees are assessed on new potable water and sanitary connections throughout the GWA service area. The required fees are based upon the size of the customer's meter. There is also a schedule provided for Amortized System Development Charges for low or moderate-income residents, which allows such residents to amortize payment of the System Development Charges over a particular period of time at a specified interest rate.
- An order was authorized for the transfer of amounts from general revenue bonds not to exceed \$3.7 million, to provide additional funding for Groundwater Disinfection, Water Reservoir Condition Assessment, and Meter Replacement Program.

## Telecommunications

- Docket GTA 10-05 approved Guam Telephone Authority's Tariff Transmittal No. 14, Promotional Offering, to enable certain residential customers of GTA to have greater access to E911 service and GTA's repair services.
- PUC certified that GTA Telecom LLC 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.
- An order for Pacific Data Systems amended the Rules governing Regulatory Fees for Telecommunications Companies, by authorizing allocation of PUC regulatory expenses in regulatory proceedings and dispute resolutions against such party or parties as the Commission deems appropriate.

## Guam International Country Club

- An order amended the Decision of December 29, 2008, to provide that GICC shall propose a new panel of members no later than one hundred eighty days before GICC files any new rate petition.
- No rate increases have occurred since 2008.

## The Port Authority of Guam

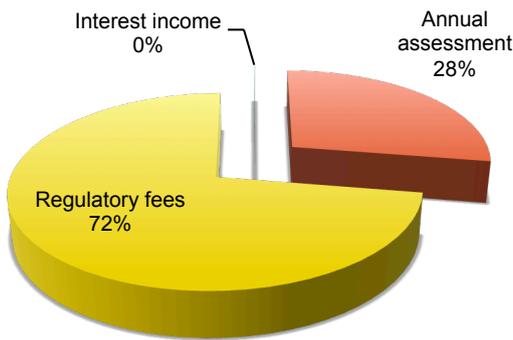
- A PUC Order approved various interim rate increases for the Port, including a 3.4% in cargo handling charges, increases in bunkering/ fuel throughput/ waste oil fees, and related fees, and increases in pipeline easement rates.
- Docket Port 09-02 approved the Revised Facility Maintenance Fee Policy, which changes the Facility Maintenance Fee from \$25.00 per bill of lading to \$25.00 per each container and \$1.35 by revenue ton for break bulk.

## Department of Public Works Solid Waste Division

There have been rate increases in the past two years. However, these have been implemented by Order of the District Court of Guam, as the Ordot Dump and the Leyon Land Fill are under the supervision of a Court appointed receiver. The PUC regulatory should increase with regard to DPW during the next year.

# Revenues and Expenses

## Revenues

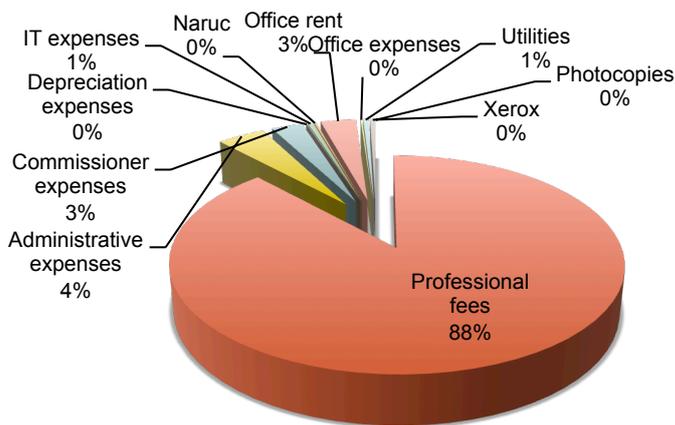


For the Fiscal Years Ended September 30, 2010 and September 30, 2009

Revenues	2010	2009	% Change
<b>Annual assessment</b>	\$260,746	\$260,000	0.29%
<b>Regulatory fees</b>	685,440	751,411	-8.78%
<b>Interest income</b>	649	884	-26.60%
<b>Total*</b>	\$946,834	\$1,012,295	-6.47%

\*Amounts may not add due to rounding.

## Expenses



For the Fiscal Years Ended September 30, 2010 and September 30, 2009

Expenses	2010	2009	% Change
<b>Professional fees</b>	\$763,815	\$822,130	-7.09%
<b>Administrative expenses</b>	36,070	35,917	0.43%
<b>Commissioner expenses</b>	23,564	22,492	4.77%
<b>Depreciation expenses</b>	604	347	73.96%
<b>IT expenses</b>	4,200	8,650	-51.45%
<b>Bad debts</b>	-	916	-100.00%
<b>Office rent</b>	26,774	36,034	-25.70%
<b>Office expenses</b>	1,241	5,138	-75.84%
<b>Utilities</b>	4,189	7,007	-40.22%
<b>Equipment rent</b>	-	3,829	-100.00%
<b>Naruc expenses</b>	1,602	1,602	0.00%
<b>Xerox</b>	4,024	1,495	169.15%
<b>Photocopies</b>	(41)	-	n/a
<b>Total*</b>	\$866,043	\$945,557	-8.41%

\*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. FY2010 revenues decreased because of less regulatory fees billed to the utilities.

## 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 Public Utilities Commission anticipates a busy year due to the increased telecommunications workload. There has been an increase in contested telecommunications proceedings. In June 2009 and March 2010, the Port Authority of Guam and the Department of Public Works' Division of Solid Waste Management, respectively, were placed under the regulatory supervision of the PUC. This adds more workload for the Commission.

The military buildup may possibly be a driving force in increasing utility rates. Because of the anticipated increase in Guam residents, more strain on existing utility infrastructure is expected. However, the effect is dependent upon the timing and size of the buildup. In addition, the military/Japan Government will bear some of the burden of the costs to improve and build up the utility infrastructure.

In recent years, its caseload has more than doubled with the addition of the Port Authority and the Solid Waste Division of the Department of Public Works within its jurisdiction. Nonetheless, it has been successful in reducing the cost of regulation.

## Possible Rate Increases for Ratepayers

Presently, there is a pending request for base rate relief from the Guam Power Authority. Increased power and water rates are possible in the upcoming year, but these rate increases can only be approved upon action by a quorum of Commissioners. 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.



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## Commissioner Vacancies

The Public Utilities Commission currently has two commissioner vacancies. Due to these vacancies, it has been, on occasion, difficult and challenging for the PUC to secure a quorum to take action on the number of regulatory matters before it. 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.*