

## ***Regulatory Protocol***

This protocol is established by the Guam Public Utilities Commission [PUC], effective April 10, 2003 to guide its regulation of Guam Power Authority [GPA], Guam Waterworks Authority [GWA] and Guam Telephone Authority [GTA].



### ***Recitals***

PUC is an independent instrumentality within the government of Guam, but not part of the Executive Branch, with regulatory oversight over GPA, GWA and GTA. PUC is vested with the power to investigate the utilities' business and financial affairs, to conduct and enforce management audits and to review and approve utility contracts and rates. In recent years, PUC has found the need to adopt a proactive regulatory approach to address such significant regulatory concerns as GPA unreasonable fuel expenses, GWA's violation of EPA wastewater treatment orders and GTA bond defaults. A proactive regulatory approach in regulating a resolution of such problems was found by PUC to be necessary to protect ratepayers from unreasonable expense.

The Consolidated Commission on Utilities [CCU] was established by Public Law 26-76 to exercise governing authority over GPA and GWA. CCU is comprised of five publicly elected commissioners. CCU has the statutory duty to retain and oversee the performance of qualified management for GPA and GWA and to oversee the establishment and implementation of business plans, which will assure that GPA and GWA will provide safe, reliable and reasonably priced utility services. PUC is further encouraged by the appointment of a new GTA board of directors, who have made a clear commitment to transforming GTA into a strong public utility.

Given the above events and circumstances, PUC is prepared, under the protocol established herein, to shift from a proactive regulatory paradigm to one of surveillance, ratemaking and contract review. The effective implementation of this protocol is part of a strategic PUC effort to reduce regulatory expense.

### ***Protocol***

1. While reserving the full extent of its statutory authority and except when either mandated by law or for reasonable regulatory purpose, PUC's regulatory oversight of GPA, GWA and GTA will be exercised in the following manner:

- a. ***Approval of Contracts and Obligations.*** 12 GCA 12004 provides that GPA, GWA and GTA shall obtain PUC's *prior* approval of any contract or obligation, which could increase their rates or charges. The protocols, which were adopted by the Commission on February 25 2000 shall continue to govern this review process. The utilities shall carefully observe and comply with the requirements of these protocols.
  - b. ***Surveillance.*** In order to enable PUC to discharge its statutory duty to monitor GPA's, GWA's and GTA's financial and business activities, they shall provide to the PUC the reports and documents described in the attachment hereto in a timely manner. PUC will conduct quarterly regulatory conferences with GPA, GWA and GTA to examine matters of regulatory concern, which may be raised by these informational filings and to prepare for matters, which may require PUC consideration under this protocol. PUC may require the utilities' production of information in PUC's examination of regulatory issues in specific dockets.
  - c. ***Ratemaking.*** Except as otherwise provided herein and unless PUC elects to initiate a rate proceeding on its own initiative, GPA, GWA and GTA shall comply with Public Law 26-23 and with PUC's rules and regulations in making any rate application to PUC. GPA's fuel charge [LEAC] shall be semi-annually established pursuant to the PUC protocol dated January 22, 1996 in Docket 95-01.
  - d. ***Audits.*** Unless mandated by law or requested by the utilities, PUC will exercise its audit authority only upon a PUC finding after public hearing that a regulated utility's financial or business affairs:  
i] threaten to impose unreasonable expenses upon their ratepayers;  
and ii] there is no reasonable business plan in place, which has been approved and ordered implemented by its governing body to remediate the problem. This provision is not intended to restrict PUC's power to investigate matters within the scope of its jurisdiction.
2. A copy of this protocol will be served upon each regulated utility and upon the CCU.

## ***Attachment***

GPA, GWA and GTA will make the following informational filings to PUC in a timely manner. PUC may require additional, specific informational filings in the course of regulatory proceedings.

### **Annual Filings [fiscal year]:**

- . Annual independent audit, with auditor recommendations
- . Annual budgets
- . Annual reconciliation of sources and uses of borrowed funds.
- . Annual filings per contract review protocols.
- . Long term planning documents, including strategic and business plans.
- . Summary of appropriations to fund Gov Guam utility bills.
- . Annual filing required by contract protocols.
- . [GPA] Annual LEAC reconciliation [in format to be established].
- . [GPA] Annual report of maintenance activities under CMMS.

### **Monthly Filings:**

- Financial and operational statements provided to the governing authority.
- Management letter accompanying monthly financial statements.

### **Periodic Filings:**

- . Governing body minutes.
- . Reports on financing or rate agency interaction.
- . Reports to governing body on accounts receivable, collection and disconnection.
- . Reports to governing body of any significant event or incident, which may have a financial impact on utility revenues in excess of the contract review threshold.
- . [GPA] PMC reports to CCU.