

GOVERNMENT OF GUAM  
PORT AUTHORITY OF GUAM

SECTION IV	LABOR CHARGE OUT RATE		ITEM NO.
	<u>Rate</u>	<u>Basis</u>	
Reefer Cargo (Hatch and container work only)	\$1.00	Per Man Hour	
Handling Noxious Cargo (Hatch work only)	\$5.35	Per Man Hour	
Bagged Cement (Hatch work only)	\$3.50	Per Man Hour	42
Scrap Metal Cargo (Hatch work only)	\$3.50	Per Man Hour	
Ammunition or Explosive Cargo	\$3.50	Per Man Hour	
Bulk Cement (Hatch work only)	\$5.35	Per Man Hour	

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SECTION V                      EQUIPMENT RENTAL RATES AND SERVICES

ITEM  
NO.

APPLICABILITY

The following charges are for use or services of the equipment in conjunction with any services not included in the Cargo Throughput Rate or for other purposes. The rates listed below are in charges per hour, or fraction thereof, and include fuel and maintenance. Equipment operators will be charged at the applicable labor Charge-Out Rate.

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EQUIPMENT LISTING-HOURLY RATES/MINIMUM CHARGES

<u>Equipment Description</u>	<u>S/T Rate Per Hour</u>	<u>Minimum Charge</u>
Forklift, rated capacity below 20,000 lbs.	\$30.00	1 hour
Forklift, rated capacity 20,000 lbs., but less than 40,000	50.00	1 hour
Forklift, rated capacity 40,000 lbs. or greater	56.00	1 hour
Top Lifter	60.00	1 hour
Side Lifter	35.00	1 hour
Tractor	34.00	1 hour
Rubber Tired Gantry Crane	170.00	1 hour
Manitowoc, 140 tons	315.00	2 hours
Crane, Gantry, Heavy Lifts	394.00	2 hours
Pick-up Truck, 3/4 Ton capacity or less	20.00	1 hour
Truck, Dump	23.00	1 hour

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<b>SECTION V</b>	<b>EQUIPMENT RENTAL RATES AND SERVICES</b>	<b>ITEM NO.</b>
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<u>Equipment Description</u>	<u>S/T Rate Per Hour</u>	<u>Minimum Charge</u>	
Welding Machine	\$ 34.00	1 hour	
Dock Mule	11.50	1 hour	44
Dock Dolly, rated 2,000 lbs.	2.50	1 hour	
Dolly Trailer, rated capacity 20 tons	11.50	1 hour	
Passenger Platform	13.50	8 hours	
Battery Charge	16.00	----	

**ADDITIONAL EQUIPMENT RENTAL CHARGES**

The following will be billed at regular hourly rates on equipment rental:

- a. Actual travel time to and from site of work, if site is not within Port Authority facility.
- b. Time consumed in removing crane boom for travelling and reassembling.

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**USE OF HANDLING EQUIPMENT**

- (a) When equipment listed above is used in special service or other purposes is diverted to other uses at the discretion of the Port, the user shall be charged on an accumulated time basis that the equipment is used per shift, but not less than the minimum charges specified.

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SECTION V	EQUIPMENT RENTAL RATES AND SERVICES	ITEM NO.
<p>(b) No mechanical equipment may be brought for use on the terminals of the Port except as authorized by the Port. Right is reserved to refuse permit when similar equipment, in capacity or nomenclature, is available for use, or when the equipment does not meet with the approval of the Port. The rental cost of any equipment so hired will be borne by the requesting agent, owner, or operator.</p>		46
<p><u>RULES AND CHARGES GOVERNING THE USE OF CARGO BOARDS (PALLETS)</u></p> <p>The term "Cargo Boards" and "Pallets" as used herein are understood to have the same meaning. When available, stevedore type cargo boards (pallets, as it will be used hereafter) may be used directly in the transfer of waterborne cargo to and from the terminals under the terms and conditions outlined herein.</p> <p>(a) Use of the Port's owned and controlled pallets:</p> <ol style="list-style-type: none"> <li>(1) To return said pallets to Port terminals in like order and condition within a period of ten (10) calendar days from date of receipt and to pay a charge for the use of the pallet at the rate of \$0.50 per pallet per day.</li> <li>(2) The port will issue receipt for pallets returned in good condition and order.</li> <li>(3) To reimburse the Port at the rate of \$35 per pallet for any pallet not returned at the end of this period.</li> </ol> <p>(b) Interchange of standard stevedore pallets:</p> <p>When a trucker, consignee, shipper, or other party carries a stock of pallets constructed in a manner identical to and in all other ways acceptable for interchange with the standard pallets controlled by the Port, the Port will:</p> <ol style="list-style-type: none"> <li>(1) Release cargo on pallets and accept in exchange a like number of identical pallets in like good order and condition, or,</li> <li>(2) Release empty pallets for a like number of identical pallets received for out-bound cargo, all pallets to be in good order and condition.</li> </ol>		47
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SECTION VI	WHARF DEMURRAGE AND FREE TIME	ITEM NO.																		
<b><u>FREE TIME PERIODS</u></b>																				
<p>Free time is exclusive of Saturdays, Sundays and holidays observed by the Government of Guam, and unless otherwise specified, is computed from the first 8:00 a.m. occurring after freight is received or unloaded on the wharf or wharf premises, or in case freight is from a vessel, from the first 8:00 a.m. occurring after vessel completes discharge.</p>																				
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Traffic Classification</u></th> <th style="text-align: left;"><u>Free Time Allowed</u></th> <th></th> </tr> </thead> <tbody> <tr> <td>Non containerized cargo</td> <td>10 days *</td> <td style="text-align: center; vertical-align: top;">48</td> </tr> <tr> <td>Containers (CY) Dry</td> <td>10 days aggregate*</td> <td></td> </tr> <tr> <td>Transshipped Dry Cargo</td> <td>15 days</td> <td></td> </tr> <tr> <td>Tuna Transshipped</td> <td>First available vessel</td> <td></td> </tr> <tr> <td>Operating Refrigerated Containers</td> <td>2 days</td> <td></td> </tr> </tbody> </table>			<u>Traffic Classification</u>	<u>Free Time Allowed</u>		Non containerized cargo	10 days *	48	Containers (CY) Dry	10 days aggregate*		Transshipped Dry Cargo	15 days		Tuna Transshipped	First available vessel		Operating Refrigerated Containers	2 days	
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<p>* The free time period for non containerized cargo and dry containers will be reduced from 10 days to 7 days six months after the tariff's effective date.</p>																				
<b><u>FREE TIME EXCEPTIONS</u></b>																				
<p>(a) Regulated commodities, such as explosives, firearms and ammunition, inflammables, and hazardous commodities shall be allowed no free time and shall be subject to immediate removal from the wharf premises.</p> <p>(b) Livestock shall be allowed no free time and are only permitted to pass over the wharf subject to immediate loading or removal.</p> <p>(c) Salvaged or offensive freight, etc: Salvaged freight in damaged or offensive condition or offensive freight of any nature may, at the option of the Port, be refused any free time on the wharf and shall be subject to immediate removal.</p>		49																		

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SECTION VI	WHARF DEMURRAGE AND FREE TIME	ITEM NO.
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<u>EXTENSION OF FREE TIME</u>	
The Port Manager may allow extension of free time for good cause.	50

<u>WHARF DEMURRAGE RATES</u>										
<p>(a) Transit Shed Wharf Demurrage charges are fifteen dollars (\$15.00) per day per revenue ton after the free period.</p> <p>(b) Outside Wharf Demurrage charges for paved area are ten dollars (\$10.00) per day per revenue ton after the free period.</p> <p>(c) In the case of export or transshipment cargos which are accruing demurrage charges, such charges shall cease on the date stevedoring services are performed. When the carrier, or its agent, request for stevedoring services to commence within twenty-four (24) hours of the vessel's arrival and, through no fault of the carrier or its agent, the Port is unable to provide such services, demurrage charges shall cease on the date of vessel arrival.</p> <p>(d) Each full container that has been in the yard, past the free time allowed will be charged a daily rate of:</p> <p style="margin-left: 20px;"><u>First Six (6) Months after the Tariff's Effective Date</u></p> <table style="margin-left: 40px; border: none;"> <tr> <td style="padding-right: 20px;">20 foot dry container or less.....</td> <td style="padding-right: 20px;">\$ 21.00</td> <td>from day eleven (11) through day twenty (20); and, \$42.00 every day thereafter</td> </tr> <tr> <td style="padding-right: 20px;">Greater than 20 feet.....</td> <td style="padding-right: 20px;">42.00</td> <td>from day eleven (11) through day twenty (20); and, \$84.00 every day thereafter</td> </tr> <tr> <td style="padding-right: 20px;">All Operating Refrigerated Containers</td> <td style="padding-right: 20px;">70.00</td> <td>for first two (2) days; and, \$140.00 every day thereafter</td> </tr> </table>	20 foot dry container or less.....	\$ 21.00	from day eleven (11) through day twenty (20); and, \$42.00 every day thereafter	Greater than 20 feet.....	42.00	from day eleven (11) through day twenty (20); and, \$84.00 every day thereafter	All Operating Refrigerated Containers	70.00	for first two (2) days; and, \$140.00 every day thereafter	51
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All Operating Refrigerated Containers	70.00	for first two (2) days; and, \$140.00 every day thereafter								

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SECTION VI

WHARF DEMURRAGE AND FREE TIME

ITEM  
NO.

Beginning with the Seventh Month after the Tariff's Effective Date

20 foot dry container or less.....	\$ 21.00	from day eight (8) through day fourteen (14); and, \$42.00 every day thereafter
Greater than 20 feet.....	42.00	from day eight (8) through day fourteen (14); and, \$84.00 every day thereafter
All Operating Refrigerated Containers	70.00	for first two (2) days; and, \$140.00 every day thereafter

- (e) Daily demurrage charges applies for a 24-hour period, or fraction thereof, commencing with 08:00 of one day to 08:00 of the following day and includes Saturdays, Sundays, and holidays.
- (f) Empty containers will be placed on the next available carriers vessel, otherwise there will be a daily charge of seven dollars (\$7.00) per day subject to force majur.

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SECTION VII

PORT ENTRY FEE

ITEM  
NO.

APPLICABILITY

All vessels (except military, government-owned, non commercial fishing, commercial fishing vessels under sixty-five (65) feet and pleasure boats, the home waters of which are in Guam) shall pay a PORT ENTRY FEE as indicated in the schedule below when entering.

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RATES

For vessels of 1,000 gross tons and under ..... \$25.00

For vessels between 1,000 gross tons and 2,000 gross tons..... 51.00

For vessels over 2,000 gross tons, \$51 plus an additional charge per each 2,000 gross tons or fraction thereof in excess of 2,000 gross tons ..... 38.00

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SECTION VIII	DOCKAGE	ITEM NO.
<u>BASIS FOR COMPUTING DOCKAGE CHARGES</u>		
<p>Dockage charges shall be based upon the vessel's length overall as published in "American Bureau of Shipping" or "Lloyd's Register of Ships." Length overall shall mean the linear distance, expressed in feet, from the most forward point of the stem of the vessel to the aft most part of the stern of the vessel, measured parallel to the base line of the vessel. If the length overall of the vessel does not appear on "American Bureau of Shipping" or "Lloyd's Register of Ships," the Port may obtain the length overall from the "Vessel's Register" or may measure the vessel. The following will govern the disposition of fractions: Five (5) inches or less disregard, over five (56) inches, increase to the next whole figure.</p>		54
<u>DOCKAGE PERIOD</u>		
<p>Dockage shall commence against a vessel:</p> <ol style="list-style-type: none"> <li>(1) When making fast to a wharf, dolphin, or other structure.</li> <li>(2) When occupying the berth immediately alongside a wharf.</li> <li>(3) When making fast to a vessel lying alongside a wharf.</li> <li>(4) When first boat, raft, lighter, etc., reaches wharf and shall continue upon such vessel until she is completely freed from and vacates her mooring or anchoring until last boat, raft, lighter, etc., leaves wharf.</li> </ol>		55
<u>FREE DOCKAGE</u>		
<p>Free dockage shall be afforded as follows:</p> <ol style="list-style-type: none"> <li>(1) At discretion of the General Manager.</li> <li>(2) Free time totalling one hour may, at the discretion of the Harbor Master, be allowed to an idle vessel when it arrives and departs within one hour.</li> </ol>		56
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SECTION VIII	DOCKAGE	ITEM NO.																																																																																																						
<p>(3) To government owned or operated vessels paying courtesy, training or recreational visits, or engaged in dredging or repair of harbor facilities, or as approved by the General Manager when no cargo or passengers are loaded or off-loaded.</p>		56																																																																																																						
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="6" style="text-align: center;"><u>RATES</u></th> </tr> <tr> <th colspan="3" style="text-align: center;"><u>Overall Length of Vessel in Feet</u></th> <th colspan="3" style="text-align: center;"><u>Overall Length of Vessel in Feet</u></th> </tr> <tr> <th style="text-align: center;"><u>Over</u></th> <th style="text-align: center;"><u>But Not Over</u></th> <th style="text-align: center;"><u>Charge Per 24-Hour Day</u></th> <th style="text-align: center;"><u>Over</u></th> <th style="text-align: center;"><u>But Not Over</u></th> <th style="text-align: center;"><u>Charge Per 24-Hour Day</u></th> </tr> </thead> <tbody> <tr><td style="text-align: center;">0</td><td style="text-align: center;">100</td><td style="text-align: right;">\$ 37.00</td><td style="text-align: center;">550</td><td style="text-align: center;">575</td><td style="text-align: right;">\$ 663.00</td></tr> <tr><td style="text-align: center;">100</td><td style="text-align: center;">150</td><td style="text-align: right;">55.00</td><td style="text-align: center;">575</td><td style="text-align: center;">600</td><td style="text-align: right;">736.00</td></tr> <tr><td style="text-align: center;">150</td><td style="text-align: center;">200</td><td style="text-align: right;">72.00</td><td style="text-align: center;">600</td><td style="text-align: center;">625</td><td style="text-align: right;">840.00</td></tr> <tr><td style="text-align: center;">200</td><td style="text-align: center;">250</td><td style="text-align: right;">128.00</td><td style="text-align: center;">625</td><td style="text-align: center;">650</td><td style="text-align: right;">977.00</td></tr> <tr><td style="text-align: center;">250</td><td style="text-align: center;">300</td><td style="text-align: right;">188.00</td><td style="text-align: center;">650</td><td style="text-align: center;">675</td><td style="text-align: right;">1,112.00</td></tr> <tr><td style="text-align: center;">300</td><td style="text-align: center;">350</td><td style="text-align: right;">251.00</td><td style="text-align: center;">675</td><td style="text-align: center;">700</td><td style="text-align: right;">1,251.00</td></tr> <tr><td style="text-align: center;">350</td><td style="text-align: center;">375</td><td style="text-align: right;">308.00</td><td style="text-align: center;">700</td><td style="text-align: center;">725</td><td style="text-align: right;">1,508.00</td></tr> <tr><td style="text-align: center;">375</td><td style="text-align: center;">400</td><td style="text-align: right;">343.00</td><td style="text-align: center;">725</td><td style="text-align: center;">750</td><td style="text-align: right;">1,663.00</td></tr> <tr><td style="text-align: center;">400</td><td style="text-align: center;">425</td><td style="text-align: right;">379.00</td><td style="text-align: center;">750</td><td style="text-align: center;">775</td><td style="text-align: right;">1,883.00</td></tr> <tr><td style="text-align: center;">425</td><td style="text-align: center;">450</td><td style="text-align: right;">420.00</td><td style="text-align: center;">775</td><td style="text-align: center;">800</td><td style="text-align: right;">2,113.00</td></tr> <tr><td style="text-align: center;">450</td><td style="text-align: center;">475</td><td style="text-align: right;">457.00</td><td style="text-align: center;">800</td><td style="text-align: center;">850</td><td style="text-align: right;">2,428.00</td></tr> <tr><td style="text-align: center;">475</td><td style="text-align: center;">500</td><td style="text-align: right;">500.00</td><td style="text-align: center;">850</td><td style="text-align: center;">900</td><td style="text-align: right;">2,764.00</td></tr> <tr><td style="text-align: center;">500</td><td style="text-align: center;">525</td><td style="text-align: right;">565.00</td><td style="text-align: center;">900</td><td style="text-align: center;">----</td><td style="text-align: center;">(d)</td></tr> <tr><td style="text-align: center;">525</td><td style="text-align: center;">550</td><td style="text-align: right;">608.00</td><td></td><td></td><td></td></tr> </tbody> </table>		<u>RATES</u>						<u>Overall Length of Vessel in Feet</u>			<u>Overall Length of Vessel in Feet</u>			<u>Over</u>	<u>But Not Over</u>	<u>Charge Per 24-Hour Day</u>	<u>Over</u>	<u>But Not Over</u>	<u>Charge Per 24-Hour Day</u>	0	100	\$ 37.00	550	575	\$ 663.00	100	150	55.00	575	600	736.00	150	200	72.00	600	625	840.00	200	250	128.00	625	650	977.00	250	300	188.00	650	675	1,112.00	300	350	251.00	675	700	1,251.00	350	375	308.00	700	725	1,508.00	375	400	343.00	725	750	1,663.00	400	425	379.00	750	775	1,883.00	425	450	420.00	775	800	2,113.00	450	475	457.00	800	850	2,428.00	475	500	500.00	850	900	2,764.00	500	525	565.00	900	----	(d)	525	550	608.00				57
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<p style="text-align: center;"><b><u>REGULATIONS GOVERNING THE APPLICATION OF DOCKAGE RATES</u></b></p> <p>(a) <u>Vessels Anchoring in Territorial Harbors</u></p> <p>Vessels, other than small craft, anchoring within a port-controlled harbor shall be assessed at the rate of one-fourth the full dockage per day or any fraction of a day.</p> <p>(b) <u>Charges for Vessel Shifting</u></p> <p>When a vessel is shifted directly from one wharf or anchorage (berth) to another wharf or anchorage (berth) operated or utilized by the Port, the total time at such berths will be considered together in computing the dockage charge.</p>		58																																																																																																						

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EFFECTIVE:

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SECTION VIII	DOCKAGE	ITEM NO.
<p>(c) <u>Application of Full Dockage Rate</u></p> <p>Dockage shall be assessed against all vessels at the full dockage rates except as otherwise provided. In computing dockage only, halves of days shall be assessed as follows:</p> <p>(1) Twelve hours or less shall be charged one-half of one full day's dockage.</p> <p>(2) Over 12 hours and not more than 24 hours shall be charged the full dockage rate.</p> <p>(d) Dockage charges for vessels over 900 feet in overall length shall be \$3.40 per 24-hour period for each foot of overall length or fraction thereof in excess of 900 feet, in addition to the above rate of \$2,764.</p>		58
<p><b><u>MODIFIED RATE FOR NON-OPERATIVE AND MISCELLANEOUS VESSELS</u></b></p> <p>(a) Dockage for vessels or other floating equipment being dismantled, salvaged, repaired, or rebuilt at piers not currently required for other purposes, as available only, shall be charged at the rate of three-fourths the full dockage per day, or any fraction of a day.</p> <p>(b) One-half the full dockage rate shall be assessed against vessels subject to dockage charges as follows:</p> <p>(1) When vessel is lying alongside of, or tied up to, any vessel made fast to or lying alongside a port wharf.</p> <p>(2) When vessel is a floating drydock, floating crane or equipment barge.</p> <p>(c) One fourth (1/4) the full dockage rate shall be assessed when a vessel is a fishing vessel homeported in Guam and regularly fishing within the territorial waters of Guam and the Northern Marianas.</p>		59
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SECTION IX

MISCELLANEOUS SERVICES AND CHARGES

ITEM  
NO.

MISCELLANEOUS SERVICES AND CHARGES

- (a) Line Handling is the taking, releasing or shifting of vessel's lines on terminal facilities. At the request of water carriers, the Port will provide line handlers.

The charges for line handling services for vessels will be as follows:

	<u>Each Movement Straight - Time</u>	<u>(Note 3) Overtime</u>	
Vessels not otherwise shown (Note 1)	\$300	\$450	
Passenger vessels and vessels 600" and over (Note 2)	\$400	\$600	60

Note 1: Rates provide for 6 people

Note 2: Rates provide for 8 people

Note 3: Above rates include two (2) hours of standby and line handling time. Additional time will be assessed on the basis of the applicable labor charge-out-rates.

- (b) Fresh water will be furnished to vessels at a rate 20% over the Public Utility Agency of Guam's current rate per ton or a fraction of a ton.

In addition, a charge of \$35 will be levied to connect and disconnect hoses and couplings except on Saturdays, Sundays and holidays. On Saturdays, Sundays and holidays, a charge of \$80 will be levied for this service.

- (c) At the request of the carrier, or their agent, electric power shall be supplied to vessels at the same rates that the Guam Power Authority would charge for the service if supplied directly, plus the following service charges:

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SECTION IX

MISCELLANEOUS SERVICES AND CHARGES

ITEM  
NO.

- (1) For connecting light or power circuits to vessel when shore cables, plugs or motor connections are supplied by the vessel, the service charge shall be \$8. If the vessel temporarily leaves the terminal and returns during the same voyage, an additional charge will be made for again connecting the light or power circuits as herein provided.
- (2) For connecting light or power circuits to vessel when shore cables, plugs or motor connections are supplied by the Port, or for the extension of light or power circuits, the service charge shall be \$11 plus time at the established man-hour rates.
- (3) For installation of submeter, where necessary, the charge shall be \$2.50 and such charge shall be in addition to charges provided in paragraphs (1) and (2).
- (4) Vessels moving of their own volition from one pier to another and requiring light or power connections shall be charged for such connection as provided in paragraphs (1), (2), and (3) hereof; however, vessels berthed for repairs and moved by order of the Port will not be required to pay additional service charges, but shall, in lieu thereof, pay the time at the established labor charge-out rates and materials at cost in effecting connections and/or submeter charges provided in paragraph (3).
- (d) A fee of \$25 must accompany each claim filed against the Port for any loss or damage to freight or merchandise. Where the Port is liable for loss or damage to freight or merchandise, subject fee will be refunded.
- (e) A fee of \$5 shall be charged for each weight tag for the use of the Port scale.
- (f) Rates for lease or rental of any port facility or portion thereof, shall be established and published by the Port Authority Board of Directors, exclusive of the Terminal Tariff, in accordance with provisions of the Administrative Adjudication Act. Any such lease or rental agreements in effect at the date of adoption of this tariff by the Board of Directors shall be continued in effect at existing rates until expiration of such agreements, unless otherwise provided in the subject agreements.

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GOVERNMENT OF GUAM  
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SECTION X

PASSENGER SERVICE FEE

ITEM  
NO.

ARRIVAL AND DEPARTING FACILITY  
SERVICE CHARGE

The Arrival Facility Service Charge for vessels originating outside Port of Guam shall be \$3.50 per each terminating or arriving passenger.

The Departing Facility Service Charge for vessels originating at the Port of Guam bound for destination outside territorial waters of Guam shall be \$1.50 per each departing passenger.

61

NOTE: All Passengers are subject to compliance with all applicable Federal and Territorial laws, rules and regulations.

ISSUED:

EFFECTIVE:

**SENATOR DON PARKINSON**  
21st GUAM LEGISLATURE  
192 ARCHBISHOP FLORES ST. - ROOM 203  
AGANA, GUAM 96910

MAJORITY LEADER and CHAIRPERSON, COMMITTEE ON ENERGY, UTILITIES, AND CONSUMER PROTECTION

September 17, 1992

Honorable Joe T. San Agustin  
Speaker, Twenty-First Guam Legislature  
Temporary Building, 155 Hesler St.  
Agana, Guam 96910

Dear Mr. Speaker:

The Committee on Energy, Utilities and Consumer Protection wishes to report out its findings on **Bill No. 939: (As substituted by the Committee on Energy, Utilities and Consumer Protection) An Act to add a new subsection 12000 (c) to 12GCA and to amend 12GCA subsection 12015 relative to authorizing the Public Utility Commission to establish General Lifeline Rates for residential utility customers of Guam.**

The Committee's Voting Record is as follows:

**TO PASS:**     -12-    

**NOT TO PASS:**     -0-    

Abstain:     -0-    

Not voting/Off-island:     -0-    

A copy of the Committee Report and other pertinent information are attached for your information.

Sincerely,



Senator Don Parkinson  
Chairman, Committee on  
Energy, Utilities and  
Consumer Protection

**COMMITTEE ON ENERGY, UTILITIES AND  
CONSUMER PROTECTION**

**VOTING SHEET ON:**

**Bill No. 939: (As substituted by the Committee on Energy, Utilities and Consumer Protection)  
An Act to add a new subsection 12000 (c) to 12GCA and to amend 12GCA subsection 12015 relative to authorizing the Public Utility Commission to establish General Lifeline Rates for residential utility customers of Guam**

<u>COMMITTEE ON MEMBERS:</u>	<u>INITIAL:</u>	<u>TO PASS:</u>	<u>NOT TO PASS:</u>	<u>Abstain</u>
Sen. Don Parkinson	<i>D</i>	✓		
Sen. Herminia Dierking	<i>H</i>	✓		
Sen. George Bamba	<i>GB</i>	✓		
Sen. Anthony Blaz	<i>AB</i>	✓		
Sen. Doris Brooks	<i>DB</i>	✓		
Sen. Gordon Mailloux	<i>G</i>	✓		
Sen. Marilyn Manibusan	<i>MM</i>	✓		
Sen. Martha Ruth	<i>MR</i>	✓		
Sen. Frank Santos	<i>FS</i>	✓		
Sen. Antonio Unpingco	<i>AU</i>	✓		
Spkr. Joe T. San Agustin	<i>JS</i>	✓		
Sen. Madeleine Z. Bordallo	<i>MZ</i>	✓		



**REPORT OF THE COMMITTEE ON ENERGY UTILITIES AND CONSUMER PROTECTION ON BILL NO. 939: (As substituted by the Committee on Energy, Utilities and Consumer Protection) AN ACT TO ADD A NEW 12GCA SUBSECTION 12000 (c) AND TO AMEND 12GCA SUBSECTION 12004 AND SUBSECTION 12015 RELATIVE TO AUTHORIZING THE PUBLIC UTILITY COMMISSION TO ESTABLISH GENERAL LIFELINE RATES FOR RESIDENTIAL UTILITY CUSTOMERS OF GUAM.**

**PREFACE**

The Committee on Energy, Utilities and Consumer Protection conducted a public hearing on Monday, August 24, 1992 at 9:00 a.m., in the Legislative Public Hearing Room on BILL NO. 939: (As substituted by the Committee on Energy, Utilities and Consumer Protection) AN ACT TO ADD A NEW 12GCA SUBSECTION 12000 (c) AND TO AMEND 12GCA SUBSECTION 12004 AND SUBSECTION 12015 RELATIVE TO AUTHORIZING THE PUBLIC UTILITY COMMISSION TO ESTABLISH GENERAL LIFELINE RATES FOR RESIDENTIAL UTILITY CUSTOMERS OF GUAM. The Committee Members present at the hearing include: Senator Don Parkinson, Chairman; Senator Anthony Blaz, member; Senator Marilyn Manibusan, member; Senator Doris F. Brooks, member; Senator Michael Reidy; Senator John P. Aguon.

**TESTIMONY**

The following appeared before the Committee and presented testimony:

1. Mr. John Benavente, General Manager, Guam Power Authority, submitted written testimony which is listed as Exhibit "A". In his written testimony Mr. Benavente indicated that GPA has previously filed testimony before the Legislature supporting Resolution No. 33 which requested the PUC to establish lifeline utility rates for residential customers of Guam. He also indicated that testimony had also been submitted to the PUC also supporting and providing GPA's input for electrical lifeline rates. Mr. Benavente stated in his testimony that while GPA supports lifeline rates, a definition of general lifeline rates should be included in the bill. GPA also recommends that the provision of the bill that precludes adjustment of the general lifeline rate unless there is at least a 20% increase in the overall cost of service be eliminated. GPA believes that it should be the PUC's responsibility to determine when lifeline rates are adjusted based on testimony filed with the PUC by GPA, Georgetown Consulting Group, and other interested parties. GPA believes the hearing process before the PUC will result in sufficient evidence to make appropriate adjustments in the general lifeline rates; and meets the primary concern that rate structure adjustments such as a general lifeline rate does

not result in a loss of PUC approved overall revenue requirements.

2. Mr. David Sablan, Chairman of the Board, Guam Power Authority, submitted written testimony which is listed as Exhibit "B". Mr. Sablan in his testimony, which supports the concept of lifeline rates, indicated that GPA found several other states and jurisdictions have experimented with "lifeline rates" with differing results, e.g. some have found it illegal, some offer financial assistance to a certain level if rates exceed a certain amount, some are still testing it and etc. Mr. Sablan also indicated that GPA would be more than happy to work with the PUC in developing criteria for such rates and fully appreciates the needs of its customers. Mr. Sablan and GPA also suggests that if a program is to be undertaken, that it be done more on the basis of General Fund Subsidy, rather than a reallocation of any resultant revenue shortfall between and among one or more customer classes. Mr. Sablan stresses that this approach would minimize the tendency for such costs to be absorbed

3. Mr. John Hoffman, Attorney at Law, Law Firm of Wilentz Goldman and Spitzer submitted two letters, both of which are at Exhibit "C". Mr. Hoffman in his written testimony supports the concept of lifeline rates and has made several specific recommendations as to appropriate language that should be included in bill 939 that would make it more meaningful for the people who will be using the lifeline rate structure as well as for the PUC and GPA to manage the new class of rate payers. Mr. Hoffman indicates that the bill essentially provide the PUC with the authority to implement certain preferential rates. He also advises that "a general lifeline rate" rather than a "targeted lifeline rate," is authorized in the bill and would be applicable to all residential customers as opposed just those that are needy. Because of this he recommends that the words "said needy" be amended on line 10 of Section 1 to "residential customers." Mr. Hoffman also recommends that subsection (a) on line 10, page 2 of Section 1 be changed to read:

Residential customers are given the opportunity to receive the lowest possible rate for a level of utility service necessary to satisfy their essential needs.

Mr. Hoffman further indicates the need to delete Subsection (b) of Section as not being needed or helpful because of the language contained in Section 12004, lines 26-26 on page 3. He also recommends that the "incremental costs incurred as a result of" be inserted between "for" and "demand" on line 16 of Section 1, Subsection (c). In another recommendation Mr.

Hoffman recommends that the definition of "General Lifeline Rates" be modified to read:

General Lifeline Rates means a lower than average per unit charge for a level of utility service necessary to fulfill the essential needs of all residential customers.

Mr. Hoffman has also recommended that the prohibition on increasing lifeline rates unless the overall costs of services increases by 20 percent, be deleted because it places unnecessary restriction on the discretionary authority of the PUC. Additionally if this restriction remains in the bill, Mr. Hoffman recommends that the term "overall cost of service" be defined. and recommends the following language:

"Overall Cost of Service" shall mean the utility's total actual cost of providing service to all classes of customers.

#### COMMITTEE FINDINGS AND RECOMMENDATIONS

The Committee on Energy, Utilities and Consumer Protection finds "Lifeline Rates" should be established to meet the needs of the utility customers. The Public Utility Commission, Guam Power Authority and this Committee should work very closely to devise a rate structure that will benefit the intended customers, and not place an undue burden on the remaining rate payers. Therefore, the Committee on Energy, Utilities and Consumer Protection recommends that Bill 939 as substituted be the Committee on Energy, Utilities and Consumer Protection be passed by the 21st Guam Legislature.

#### EXHIBITS

- Exhibit "A"      Written Testimony of Mr. John Benavente, General Manager, Guam Power Authority.
- Exhibit "B"      Written Testimony of Mr. David Sablan, Chairman of the Board, Guam Power Authority.
- Exhibit "C"      Letters from Mr. John Hoffman, Attorney at Law, Law Firm of Wilentz Goldman & Spitzer.
- Exhibit "D"      PUC Doc No. 92002, "Lifeline Utilities Rates"
- Exhibit "E"      Bill No. 939 as introduced.
- Exhibit "F"      Bill No. 939 as substituted

Exhibit "G"      Witness Sign-In Sheet displayed at the public hearing.

F:\21\comitrpt\bil939.rep\sh



# GUAM POWER AUTHORITY

ATURIDÁT ILEKTRESEDÁT GUAHAN  
P.O. BOX 2977, AGANA, GUAM, USA 96910-2977

August 21, 1992

Senator Don Parkinson  
Chairman, Committee on Energy,  
Utilities & Consumer Protection  
21st Guam Legislature  
Agana, Guam 96910

**RE: Bill No. 939**

Dear Senator Parkinson:

The Guam Power Authority is pleased to have the opportunity to provide comments on Bill No. 939. GPA filed testimony before the Legislature pertaining to Resolution No. 33 which requested the PUC to establish, develop and implement lifeline utility rates for residential customers on Guam (attachment 1). GPA has filed testimony in Docket No. 92-002 - Lifeline Utility Rates before the Public Utilities Commission (attachment 2).

In each of these testimonies, GPA supported the concept of lifeline rates, but recommended targeted lifeline rates. However, the PUC, after reviewing GPA and Georgetown Consulting Group's testimony determined that a general lifeline rate is more appropriate. It is not GPA's intent to argue the merits of a targeted or general lifeline rate before the 21st Legislature, but merely to provide the Legislature with a summary of GPA's position on the lifeline utility rate issue.

GPA has the following comments on Bill No. 939.

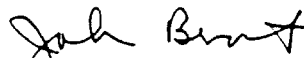
1. GPA would recommend that a definition of general lifeline rates be included in the bill. GPA believes the PUC could provide a definition.
2. GPA would recommend the provision that precludes adjustment of the general lifeline rate unless there is at least a 20% increase in the overall cost of service be eliminated. GPA believes that it should be the PUC's responsibility to determine when lifeline rates are adjusted based on testimony filed with the PUC by GPA, Georgetown Consulting Group, and other interested parties. GPA believes the hearing process before the PUC will result in sufficient evidence to make appropriate adjustments in the general lifeline rates.

Exhibit "A"

Senator Don Parkinson  
August 21, 1992  
Page 2

If you have any further questions, please contact me. GPA's primary concern is that rate structure adjustments such as a general lifeline rate does not result in a loss of PUC approved overall revenue requirements.

Sincerely,



John M. Benavente  
General Manager

attachments

/yac



# GUAM POWER AUTHORITY

Board of Directors



March 27, 1991

Senator Don Parkinson  
Chairman, Committee on Energy,  
Utilities & Consumer Protection  
21st Guam Legislature  
Agana, Guam 96910

ATTACHMENT 1

**RE: RESOLUTION NO. 33**

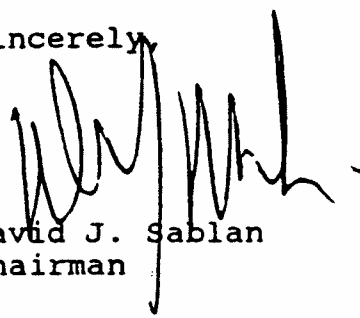
Dear Senator Parkinson:

Thank you for the opportunity to comment once again on resolutions pursuant to "lifeline" utility rates.

Attached is Guam Power Authority's testimony which was submitted on October 17, 1990 with respect to Resolution No. 578. Our position remains the same, and we are, therefore, resubmitting our comments pursuant to Resolution No. 33.

As always, please be assured that GPA will work with the PUC on the issue.

Sincerely,

  
David J. Sablan  
Chairman

attachment

/yac



# GUAM POWER AUTHORITY

Board of Directors



October 17, 1990

Senator Don Parkinson  
Chairman, Committee on Energy,  
Utilities & Consumer Protection  
Twentieth Guam Legislature  
Agana, Guam 96910

**RE: RESOLUTION NO. 578**

Dear Senator Parkinson:

GPA appreciates the opportunity to appear before your Committee on Resolution 578, which would ensure "reasonable rates" to every household on Guam by urging the Public Utilities Commission to establish certain "factors associated with electricity consumption and adopt and implement LIFELINE rates to ensure that people in need are not deprived of this essential utility".

GPA has found that several other states and jurisdictions have experimented with 'lifeline rates' with differing results, e.g. some have found it illegal, some offer financial assistance to a certain level if rates exceed a certain amount, some are still testing it, etc. GPA would be more than happy to work with the PUC in developing criteria for such rates and fully appreciates the needs of its customers.

We would suggest that if such a program is to be undertaken, that it be done more on the basis of General Fund Subsidy, rather than a reallocation of any resultant revenue shortfall between and among one or more customer classes. This approach would minimize the tendency for such costs to be absorbed by customers in the higher KWH consumption brackets, and avoid questions regarding discriminatory rates.

In any event please be assured GPA will work with the PUC on the issue.

We will answer any questions you may have.

Sincerely,

  
DAVID J. SABLAN  
CHAIRMAN



ATTACHMENT 2

**CARLSMITH BALL WICHMAN MURRAY CASE MUKAI & ICHIKI**

ATTORNEYS AT LAW

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February 27, 1992

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FAX (310) 437-3780

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FAX (52-5) 920-8887

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FAX (202) 628-4643

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FAX (808) 835-7975

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FAX (808) 328-9480

MAUI OFFICE  
TELEPHONE (808) 242-4535  
FAX (808) 244-8974

GUAM OFFICE  
TELEPHONE (671) 472-6813  
FAX (671) 477-4378

Saipan OFFICE  
TELEPHONE (670) 322-3458  
FAX (670) 322-3368

**VIA TELECOPIER****477-2511 / 477-0783**

Harry M. Boertzel, Esq.  
Moore, Ching & Boertzel  
Suite 400, GCIC Bldg.  
414 West Soledad Avenue  
Agana, Guam 96910

Re: DOCKET NO. 92-002 ORDER INSTITUTING INVESTIGATION

Dear Mr. Boertzel:

GPA has prepared this response to the Commission inquiries set forth in Item 3 of the January 10, 1992 Order Instituting an Investigation of Life Line Rates (Docket 92-002). GPA's responses are provided below:

**ITEM 3.a)****COMMISSION INQUIRY**

What should be the primary objective of lifeline policy?

- Should lifeline rates be structured to ensure the affordability of essential uses of electricity and telephone services for all residential customers; or
- Should lifeline rates be targeted to assist specific subgroups of the residential customers, such as low income or elderly persons?

**GPA RESPONSE**

GPA has filed testimony with the Committee on Energy, Utilities & Consumer Protection that supported a lifeline rate targeted to assist specific subgroups of residential customers. GPA

Harry M. Boertzel, Esq.  
MOORE, CHING & BOERTZEL  
February 27, 1992  
Page 2

believes a targeted lifeline rate will ensure affordable essential electric service to those residential customers who can justify the need. GPA recommends that the program would be a subsidy to the customers who qualify for lifeline assistance.

GPA does not believe that a lifeline rate based on a rate reduction for an initial block of usage (e.g. 500 kwh) applicable to all residential customers will effectively provide affordable essential electric service to the needy. It is GPA's belief that the lifeline rate applicable to all customers is not effective because low use customers are not necessarily low income customers and high-use customers are not necessarily high income customers. Mr. Bruce Oliver also states this on Page 4, Footnote 1 of his report. Thus, GPA believes the targeted lifeline rate with a direct subsidy should be adopted by the Commission.

ITEM 3.b)

COMMISSION INQUIRY

Assuming the PUC should decide to base lifeline rates in whole or in part, on essential use concepts, how should essential use requirements be established?

GPA RESPONSE

The essential use could be developed based on GPA Engineering Department preparing a study on essential usage for a residential customer. The study should include an independent assessment by GPA, a survey of other lifeline programs and information contained in the Edison Electric Institute and the U.S. Department of Energy studies referenced by Mr. Bruce Oliver on Page 11, Footnote 1 of his report. The study should also obtain input from the Committee on Energy, Utilities & Consumer Protection.

ITEM 3.c)

COMMISSION INQUIRY

Assuming the PUC should decide to implement a targeted lifeline rate program, what basis should be used in determining customer qualification for service under lifeline rates?

GPA RESPONSE

Harry M. Boertzel, Esq.  
MOORE, CHING & BOERTZEL  
February 27, 1992  
Page 3

GPA would recommend the use of an existing assistance program of agencies such as Public Health and Social Services or any other appropriate agency.

ITEM 3.d)

COMMISSION INQUIRY

What cost basis, if any, should the PUC require for the establishment of lifeline rates?

GPA RESPONSE

GPA would prefer an embedded cost approach to determining lifeline rates. However, as the Commission is aware, GPA has only recently implemented a Load Research Program to obtain specific load characteristics. The Load Research Program is not designed to capture load information to design lifeline rates based on embedded cost. Therefore, GPA would recommend short run marginal cost.

ITEM 3.e)

COMMISSION INQUIRY

How should revenue losses that result from lowering rates for recipients of lifeline service be offset to ensure that GPA and GTA financial requirements are met?

- Should lower charges for lifeline service be offset by increased charges for nonlifeline portions of residential services; or
- Should some or all of the cost of offering lifeline service be borne by non-residential customers?

GPA RESPONSE

If the lifeline rate is targeted to a specific subgroup of residential customers, GPA would recommend a subsidy paid by GOVGUAM directly to GPA for each qualified residential customer.

If the lifeline rate is a reduction in an initial block of usage (500 kwh), GPA would recommend that the revenue loss from lower charges be borne by all customers. It is GPA's position that this is a social program and thus, all customers should participate in recouping the revenue lost due to the lower

Harry M. Boertzel, Esq.  
MOORE, CHING & BOERTZEL  
February 27, 1992  
Page 4

lifeline rates. GPA would point out that if it was a subsidy, all taxpayers would participate in funding the lifeline rate program and that the majority of GPA's customers are taxpayers.

ITEM 3.f)

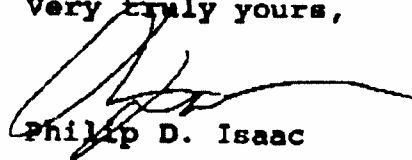
COMMISSION INQUIRY

Are there identifiable societal costs (as opposed to utility costs) that can be reduced or avoided as a result of lifeline offerings, and how should those costs be considered in the development of lifeline rates for GPA and GTA?

GPA RESPONSE

GPA has not identified any societal cost at this time.

Very truly yours,



Philip D. Isaac

PDI/csm  
012149-35  
cc: John Benavente (via telecopier)  
Greg Tarasar (via telecopier)  
G9202172



# GUAM POWER AUTHORITY

P. O. BOX 2977, AGANA, GUAM, USA 96910-2977

January 2, 1992

Senator Don Parkinson  
Chairman, Committee on Energy,  
Utilities & Consumer Protection  
21st Guam Legislature  
Agana, Guam 96910

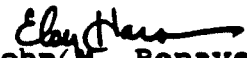
Re: Lifeline Rate Data

Dear Senator Parkinson:

As you requested in your December 27, 1991 letter, I am forwarding herewith the number of residential customers within given kilowatt usage blocks. The attached summary contains the monthly summaries from January 1991 through November 1991.

Contact me directly if you have any questions.

Sincerely,

  
John M. Benavente  
General Manager

attachment

/yac

REPORT DATE: 1/02/92  
 11-MONTHS ENDING NOV 1991

GUAM POWER AUTHORITY  
 RESIDENTIAL CUSTOMERS KWH USAGE

REPORT ID - GRAP-CH  
 PAGE 1

KWH CONSUMED	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV
000 - 100	5030	4473	3838	3367	2731	2192	1608	1313	1167	1045	1316
201 - 300	1732	1646	1718	1577	1305	1399	1316	1287	1251	1201	1336
301 - 400	2225	2175	2318	2140	1920	1967	1808	1765	1796	1742	1861
401 - 500	1845	1999	2033	1961	1842	1805	1768	1632	1667	1603	1726
501 - 600	1315	1549	1623	1579	1626	1624	1583	1665	1732	1777	1736
601 - 700	1118	1177	1283	1283	1239	1303	1351	1398	1512	1537	1442
701 - 800	912	885	959	972	1119	1125	1120	1247	1239	1264	1213
801 - 900	699	691	706	728	915	905	963	930	1046	1035	1004
901 - 1000	499	497	508	602	742	755	758	639	800	813	870
1001 - 1100	353	363	361	487	569	616	601	649	690	623	597
1101 - 1200	1000	1022	1026	1283	1819	1735	1980	1973	1983	1864	1918
1201 - 1300	207	195	165	225	405	403	478	437	435	365	318
1301 - 1400	36	54	42	71	115	122	131	96	117	81	113
TOTAL	29004	29012	29018	29011	28963	28952	28946	28962	28975	29002	28901



# GUAM POWER AUTHORITY

ATURIDÁT ILEKTRESEDÁT GUAHAN  
P.O. BOX 2977, AGANA, GUAM, USA 96910-2977

August 21, 1992

Senator Don Parkinson  
Chairman, Committee on Energy,  
Utilities & Consumer Protection  
21st Guam Legislature  
Agana, Guam 96910

**RE: Bill No. 939**

Dear Senator Parkinson:

The Guam Power Authority is pleased to have the opportunity to provide comments on Bill No. 939. GPA filed testimony before the Legislature pertaining to Resolution No. 33 which requested the PUC to establish, develop and implement lifeline utility rates for residential customers on Guam (attachment 1). GPA has filed testimony in Docket No. 92-002 - Lifeline Utility Rates before the Public Utilities Commission (attachment 2).

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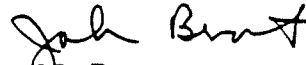
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Exhibit "B"

Senator Don Parkinson  
August 21, 1992  
Page 2

If you have any further questions, please contact me. GPA's primary concern is that rate structure adjustments such as a general lifeline rate does not result in a loss of PUC approved overall revenue requirements.

Sincerely,



John M. Benavente  
General Manager

attachments

/yac





# GUAM POWER AUTHORITY

Board of Directors



March 27, 1991

Senator Don Parkinson  
Chairman, Committee on Energy,  
Utilities & Consumer Protection  
21st Guam Legislature  
Agana, Guam 96910

ATTACHMENT 1

**RE: RESOLUTION NO. 33**

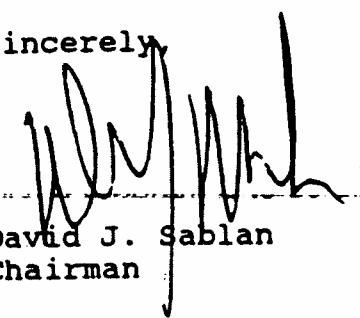
Dear Senator Parkinson:

Thank you for the opportunity to comment once again on resolutions pursuant to "lifeline" utility rates.

Attached is Guam Power Authority's testimony which was submitted on October 17, 1990 with respect to Resolution No. 578. Our position remains the same, and we are, therefore, resubmitting our comments pursuant to Resolution No. 33.

As always, please be assured that GPA will work with the PUC on the issue.

Sincerely,



David J. Sablan  
Chairman

attachment

/yac



# GUAM POWER AUTHORITY

Board of Directors



October 17, 1990

Senator Don Parkinson  
Chairman, Committee on Energy,  
Utilities & Consumer Protection  
Twentieth Guam Legislature  
Agana, Guam 96910

RE: RESOLUTION NO. 578

Dear Senator Parkinson:

GPA appreciates the opportunity to appear before your Committee on Resolution 578, which would ensure "reasonable rates" to every household on Guam by urging the Public Utilities Commission to establish certain "factors associated with electricity consumption and adopt and implement LIFELINE rates to ensure that people in need are not deprived of this essential utility".

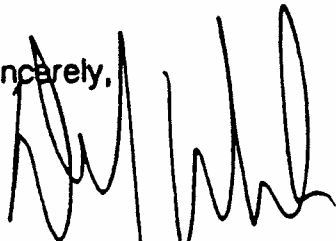
GPA has found that several other states and jurisdictions have experimented with 'lifeline rates' with differing results, e.g. some have found it illegal, some offer financial assistance to a certain level if rates exceed a certain amount, some are still testing it, etc. GPA would be more than happy to work with the PUC in developing criteria for such rates and fully appreciates the needs of its customers.

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In any event please be assured GPA will work with the PUC on the issue.

We will answer any questions you may have.

Sincerely,

  
DAVID J. SABLAN  
CHAIRMAN

ATTACHMENT 2

**CARLSMITH BALL WICHMAN MURRAY CASE MUKAI & ICHIKI**

ATTORNEYS AT LAW

A PARTNERSHIP INCLUDING LAW CORPORATIONS

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FAX (671) 477-4375

February 27, 1992

HILLO OFFICE

TELEPHONE (808) 933-8844  
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VIA TELECOPIER  
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Harry M. Boertzel, Esq.  
Moore, Ching & Boertzel  
Suite 400, GCIC Bldg.  
414 West Soledad Avenue  
Agana, Guam 96910

Re: DOCKET NO. 92-002 ORDER INSTITUTING INVESTIGATION

Dear Mr. Boertzel:

GPA has prepared this response to the Commission inquiries set forth in Item 3 of the January 10, 1992 Order Instituting an Investigation of Life Line Rates (Docket 92-002). GPA's responses are provided below:

ITEM 3.a) COMMISSION INQUIRY

What should be the primary objective of lifeline policy?

- Should lifeline rates be structured to ensure the affordability of essential uses of electricity and telephone services for all residential customers; or
- Should lifeline rates be targeted to assist specific subgroups of the residential customers, such as low income or elderly persons?

GPA RESPONSE

GPA has filed testimony with the Committee on Energy, Utilities & Consumer Protection that supported a lifeline rate targeted to assist specific subgroups of residential customers. GPA

Harry M. Boertzel, Esq.  
MOORE, CHING & BOERTZEL  
February 27, 1992  
Page 2

believes a targeted lifeline rate will ensure affordable essential electric service to those residential customers who can justify the need. GPA recommends that the program would be a subsidy to the customers who qualify for lifeline assistance.

GPA does not believe that a lifeline rate based on a rate reduction for an initial block of usage (e.g. 500 kwh) applicable to all residential customers will effectively provide affordable essential electric service to the needy. It is GPA's belief that the lifeline rate applicable to all customers is not effective because low use customers are not necessarily low income customers and high-use customers are not necessarily high income customers. Mr. Bruce Oliver also states this on Page 4, Footnote 1 of his report. Thus, GPA believes the targeted lifeline rate with a direct subsidy should be adopted by the Commission.

**ITEM 3.b)**

**COMMISSION INQUIRY**

Assuming the PUC should decide to base lifeline rates in whole or in part, on essential use concepts, how should essential use requirements be established?

**GPA RESPONSE**

The essential use could be developed based on GPA Engineering Department preparing a study on essential usage for a residential customer. The study should include an independent assessment by GPA, a survey of other lifeline programs and information contained in the Edison Electric Institute and the U.S. Department of Energy studies referenced by Mr. Bruce Oliver on Page 11, Footnote 1 of his report. The study should also obtain input from the Committee on Energy, Utilities & Consumer Protection.

**ITEM 3.c)**

**COMMISSION INQUIRY**

Assuming the PUC should decide to implement a targeted lifeline rate program, what basis should be used in determining customer qualification for service under lifeline rates?

**GPA RESPONSE**

Harry M. Boertzel, Esq.  
MOORE, CHING & BOERTZEL  
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Page 3

GPA would recommend the use of an existing assistance program of agencies such as Public Health and Social Services or any other appropriate agency.

ITEM 3.d)

COMMISSION INQUIRY

What cost basis, if any, should the PUC require for the establishment of lifeline rates?

GPA RESPONSE

GPA would prefer an embedded cost approach to determining lifeline rates. However, as the Commission is aware, GPA has only recently implemented a Load Research Program to obtain specific load characteristics. The Load Research Program is not designed to capture load information to design lifeline rates based on embedded cost. Therefore, GPA would recommend short run marginal cost.

ITEM 3.e)

COMMISSION INQUIRY

How should revenue losses that result from lowering rates for recipients of lifeline service be offset to ensure that GPA and GTA financial requirements are met?

- Should lower charges for lifeline service be offset by increased charges for nonlifeline portions of residential services; or
- Should some or all of the cost of offering lifeline service be borne by non-residential customers?

GPA RESPONSE

If the lifeline rate is targeted to a specific subgroup of residential customers, GPA would recommend a subsidy paid by GOVGUAM directly to GPA for each qualified residential customer.

If the lifeline rate is a reduction in an initial block of usage (500 kwh), GPA would recommend that the revenue loss from lower charges be borne by all customers. It is GPA's position that this is a social program and thus, all customers should participate in recouping the revenue lost due to the lower

Harry M. Boertzel, Esq.  
MOORE, CHING & BOERTZEL  
February 27, 1992  
Page 4

lifeline rates. GPA would point out that if it was a subsidy, all taxpayers would participate in funding the lifeline rate program and that the majority of GPA's customers are taxpayers.

ITEM 3.f)

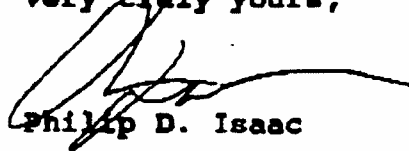
COMMISSION INQUIRY

Are there identifiable societal costs (as opposed to utility costs) that can be reduced or avoided as a result of lifeline offerings, and how should those costs be considered in the development of lifeline rates for GPA and GTA?

GPA RESPONSE

GPA has not identified any societal cost at this time.

Very truly yours,



Philip D. Isaac

PDI/csm  
012149-35  
cc: John Benavente (via telecopier)  
Greg Tarasar (via telecopier)  
G9202172



**GUAM POWER AUTHORITY**  
P. O. BOX 2977, AGANA, GUAM, USA 96910-2977

January 2, 1992

Senator Don Parkinson  
Chairman, Committee on Energy,  
Utilities & Consumer Protection  
21st Guam Legislature  
Agana, Guam 96910

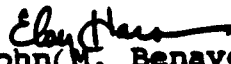
Re: Lifeline Rate Data

Dear Senator Parkinson:

As you requested in your December 27, 1991 letter, I am forwarding herewith the number of residential customers within given kilowatt usage blocks. The attached summary contains the monthly summaries from January 1991 through November 1991.

Contact me directly if you have any questions.

Sincerely,

  
John M. Benavente  
General Manager

attachment

/yac

REPORT DATE: 1/02/92

GUAM POWER AUTHORITY

REPORT ID - GPARKWH

11-MONTHS ENDING NOV 1991

RESIDENTIAL CUSTOMERS KWH USAGE

PAGE 1

KWH CONSUMED	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV
000 - 100	5030	4473	3838	3367	2731	2192	1608	1313	1167	1043	1316
101 - 200	1732	1646	1718	1577	1305	1399	1316	1287	1251	1291	1336
201 - 300	2225	2175	2318	2140	1920	1967	1808	1764	1796	1945	1861
301 - 400	1845	1999	2033	1961	1852	1805	1768	1832	1867	1983	1926
401 - 500	1515	1549	1623	1579	1626	1624	1583	1665	1732	1777	1756
501 - 600	1118	1177	1283	1283	1229	1303	1331	1398	1512	1537	1442
601 - 700	912	885	959	972	1119	1125	1120	1247	1239	1264	1213
701 - 800	699	691	706	778	915	905	963	930	1046	1035	1004
801 - 900	499	497	508	602	752	735	758	839	800	813	840
901 - 1000	353	363	361	487	569	616	601	649	640	623	597
1001 - 1500	1060	1022	1026	1283	1819	1755	1980	1973	1983	1864	1778
1501 - 2000	207	195	165	224	404	403	478	437	434	346	338
2001 - 3500	36	54	42	71	115	122	131	96	117	81	83
<b>TOTALS</b>	<b>29004</b>	<b>29012</b>	<b>29018</b>	<b>29011</b>	<b>28963</b>	<b>28952</b>	<b>28946</b>	<b>28962</b>	<b>28975</b>	<b>29002</b>	<b>28981</b>



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August 19, 1992

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JOSEPH A. CALVO

**HAND DELIVER**

The Honorable John P. Aguon  
Vice Speaker and Chairman  
Committee on Tourism & Transportation  
**TWENTY-FIRST GUAM LEGISLATURE**  
155 Hessler Place  
Agana, Guam 96910

RE: **LIFELINE RATES**

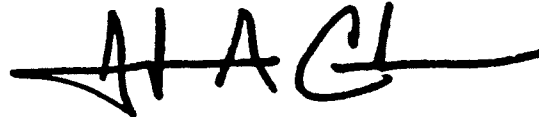
Dear Senator Aguon:

Attached you will find copies of two recent letters from John Hoffman of Wilentz Goldman & Spitzer which recommend several revisions to Bill 939, the proposed legislation which authorizes the establishment of lifeline rates.

If the Public Utilities Commission can be of further assistance, please do not hesitate to contact me.

Very truly yours,

MOORE, CHING & BOERTZEL



Joseph A. Calvo

JAC/di  
F#PUC-29  
D#JA-8-19.92 A#di-(CLTRS)

Enclosures

cc: - Public Utilities Commission Members  
- Harry M. Boertzel (firm)

Exhibit "C"

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5 Also admitted in MA  
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7 Also admitted in IL  
8 Only admitted in NY  
9 Also admitted in FL  
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11 Also admitted in VI

August 13, 1992

## VIA FACSIMILE AND REGULAR MAIL

Harry M. Boertzel, Esq.  
Moore, Ching & Boertzel  
Suite 400  
GCIC Building  
414 West Soledad Avenue  
Agana, Guam 96910

Re: Guam PUC: Lifeline Rates

Dear Mr. Boertzel:

I have reviewed the proposed legislation (Bill No. 939) for the implementation of lifeline rates for utility service in the territory of Guam. In general, the legislation is satisfactory in that it essentially provides the Guam Public Utility Commission ("Commission") with the authority to implement certain preferential rates. The following are my specific comments.

Because the legislation authorizes a "general lifeline rate" rather than a "targeted lifeline rate," the lifeline rate will be applicable to all residential customers as opposed to just those that are needy. Therefore, I recommend that the words "said needy" on line 10 of Section 1 be amended to "residential customers." I also

recommend that subsection (a) on line 10, page 2 of Section 1 be changed to read as follows:

Residential customers are given the opportunity to receive the lowest possible rate for a level of utility service necessary to satisfy their essential needs.

Subsection (b) of Section 1 indicates that residential utility customer rates will be based upon the cost of providing service to residential customers. This subsection could be construed to mean that the residential customer class would be responsible for absorbing costs associated with the reduced rates provided pursuant to the lifeline program. In light of the language on lines 26-27 on page 3 (Section 12004), I do not think that this finding is necessary or helpful. Therefore, I recommend its deletion.

With regard to subsection (c) of Section 1, I suggest that the following phrase be inserted on line 16 between "for" and "demand": "incremental costs incurred as a result of."

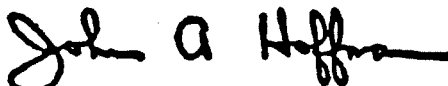
In Section 2 of the proposed legislation, I recommend that the definition of "General Lifeline Rates" be modified. I realize that the existing definition was set forth in our Memorandum of Law. However, I think it would be clearer if it were changed to the following:

General Lifeline Rates means a lower than average per unit charge for a level of utility service necessary to fulfill the essential needs of all residential customers.

Lines 3-5 on page 3, of Section 2 prohibit the increase in lifeline rates unless the overall cost of service increases by no less than 20 percent. I realize that the State of California's lifeline legislation contains a similar prohibition, however, in my opinion, I think this restriction unnecessarily limits the discretionary authority of the Commission. This provision does not appear to be necessary to the extent that this result could be achieved by a Commission decision if the Commission deems it appropriate. In the event that this restriction remains in the legislation, I would recommend that the term "overall cost of service" be defined.

If you have any questions regarding my comments, please contact me.

Very truly yours,



JOHN A. HOFFMAN

rmm/149007

Copy for: Jamshed K. Madan (via Facsimile and regular mail)  
Hesser G. McBride, Esq.

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## VIA FACSIMILE

Joseph A. Calvo, Esq.  
Moore, Ching & Boertzel  
Suite 400  
GCIC Building  
4th at 14 West Soledad Avenue  
Agana, Guam 96910

Re: Guam FUC: Lifeline Rates

Dear Mr. Calvo:

In my letter dated August 13, 1992, I recommended that the provision in the proposed Lifeline legislation prohibiting an increase in lifeline rates, unless there is an overall increase in cost of service by 20 percent, be deleted. Alternatively, I suggested that the term "overall cost of service" be defined. Jim Madan requested that I provide a definition. I suggest the following:

"Overall Cost of Service" shall mean the utility's total actual cost of providing service to all classes of customers.

If you would like to discuss this matter, please contact me.

Very truly yours,

*John A. Hoffman*  
JOHN A. HOFFMAN

JAH/hgm/rmm  
cc: Jamshed K. Madan (via regular mail)  
Hesser G. McBride, Jr., Esq.

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- 7 Also admitted to IL
- 8 Only admitted in NY
- 9 Also admitted in GA
- 10 Also admitted in VA

August 18, 1992



# PUBLIC UTILITIES COMMISSION

P.O. BOX 862  
AGANA, GUAM 96910

July 24, 1992

*Mr. Justice*  
*3:45*

## VIA HAND DELIVERY

Senator John P. Aguon  
Vice Speaker  
TWENTY-FIRST GUAM LEGISLATURE  
155 Hessler Place  
Agana, Guam 96910

**RE: PUC DOCKET NO. 92-002 - LIFELINE UTILITY RATES**

Dear Senator Aguon:

As Chairman Duenas is presently off-island, I am responding to your inquiry dated July 6, 1992 regarding the implementation of lifeline utility rates.

Attached you will find the PUC's transmittal letter dated July 24, 1992 to Speaker San Agustin which recounts the Commission's efforts made in response to Resolution No. 33 as well as the evidentiary record in Docket No. 92-002.

Based on advice of counsel, the Commission has determined that express statutory authorization is necessary for the PUC to establish lifeline rates for GTA and GPA. We therefore recommend that such legislation be considered by the Guam Legislature.

If I can be of further assistance, please do not hesitate to call.

Sincerely,

**PUBLIC UTILITIES COMMISSION**

*[Signature]*  
Terrence M. Brooks  
Commissioner

cc: Commission Members

*Exhibit "D"*

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# PUBLIC UTILITIES COMMISSION

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July 24, 1992

## VIA HAND DELIVERY

The Honorable Speaker Joe T. San Agustin  
**TWENTY-FIRST GUAM LEGISLATURE**  
Pacific Arcade Building  
Hernan Cortes Street  
Agana, Guam 96910

**RE: REPORT OF THE GUAM PUBLIC UTILITIES COMMISSION ON  
DOCKET NO. 92-002 - LIFELINE UTILITY RATES**

Dear Mr. Speaker:

On April 3, 1991, the Guam Legislature adopted Resolution No. 33 which requested that the PUC establish, develop and implement lifeline utility rates for residential customers on Guam. Lifeline rates are intended to provide residential customers with an amount of electricity and telephone service necessary to meet "essential needs" at a price below the actual cost of providing such services. The resolution states that lifeline rates are necessary in order to make essential utility services affordable to the needy, the elderly, those with fixed retirement incomes and the less fortunate in light of foreseeable increases in utility rates.

In response to the resolution, the PUC, on May 9, 1991, directed Georgetown Consulting Group, Inc. ("Georgetown") to prepare a report which addresses:

- 1) the concept of lifeline utility rates;
- 2) the procedures which should be undertaken to examine relevant policy issues; and
- 3) the PUC's authority under its enabling legislation to implement such rates.

Georgetown complied with the PUC's directive by filing with the Commission the following:

- 1) A report by Revilo Hill Associates dated October, 1991 entitled *Lifeline Rates for Electric Service and Their Potential Application to the Guam Power Authority*,

The Honorable Speaker Joe T. San Agustin  
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- 2) A legal memorandum dated October 21, 1991 by the law firm of Wilentz, Goldman & Spitzer which examines whether sufficient statutory authority exists for the PUC to establish and implement lifeline utility rates; and
- 3) A report by Georgetown dated December, 1991 which addresses the application of lifeline rates to services provided by the Guam Telephone Authority.

By its order dated January 10, 1992, the Commission also instituted an investigation to consider the propriety and the potential effects of establishing and implementing lifeline electric and telephone rates in the Territory of Guam. A duly noticed public hearing was held on March 11, 1992 for the purpose of addressing the issues and questions set forth in the order instituting the investigation. At the hearing the Commission received testimony and comments from the Guam Telephone Authority, the Guam Power Authority, Leticia Espaldon, Director of Public Health and Social Services and Senator Michael J. Reidy.

Georgetown, through its counsel, Wilentz, Goldman & Spitzer, has advised the Commission that "[t]he optimal way for the Guam PUC to implement lifeline rates is pursuant to specific legislation authorizing the implementation of lifeline rate plans". Without such legislation it is uncertain whether the PUC, GPA and GTA, as public bodies whose powers are prescribed by the Legislature, possess the legal authority to implement such rates under their existing enabling legislation.

The Commission is in agreement with the opinion provided. Accordingly, the Commission hereby transmits the evidentiary record of Docket 92-002 for the Legislature's consideration and recommends that the Legislature pass legislation which expressly authorizes the PUC to establish and implement lifeline rates for the Guam Power Authority and the Guam Telephone Authority. Please let me know how the Commission can be of assistance during the drafting process.

Cordially,

**PUBLIC UTILITIES COMMISSION**



Terrence M. Brooks  
Commissioner

cc: **HAND DELIVER WITH ENCLOSURES**

Senator John Aguon  
Senator Michael Reidy

**HAND DELIVER WITHOUT ENCLOSURES**

Guam Power Authority  
Guam Telephone Authority  
Commission Members



BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE TERRITORY OF GUAM

Investigation on the ) Docket No. 92-002  
 Commission's own motion of )  
 the issues pertaining to the )  
 implementation of lifeline )  
 electric and telephone rates )  
 in the Territory of Guam. )  
 \_\_\_\_\_ )

<u>NO.</u>	<u>EVIDENTIARY RECORD</u>	<u>FILE DATE</u>
1	Lifeline rates for electric service and their potential application to the Guam Power Authority prepared by Bruce R. Oliver of Revilo Hill Associates, Inc.	10/91
2	Memorandum to Georgetown Consulting from John A. Hoffman and Hesser G. McBride, Jr. of Wilentz, Goldman & Spitzer, P.C. regarding establishment of "Lifeline" utility rates	10/21/91
3	Report on lifeline services of Georgetown Consulting	12/91
4	Commission's Order Instituting Investigation	01/10/92
5	Copy of PDN publication of Order Instituting Investigation (published on January 17, 24 and 31, 1992)	
6	Guam Telephone Authority's comments on the reports	02/27/92
7	Guam Power Authority's comments on the report dated 02/27/92 (letter from Mr. Isaac) and its subsequent comments dated 03/06/92	02/27/92
8	Department of Public Health & Social Services comments on the reports dated 02/25/92 (letter from Dr. Leticia V. Espaldon)	03/02/92
9	Senator Michael J. Reidy's comments on the reports dated 02/24/92	03/04/92

**LIFELINE RATES FOR ELECTRIC SERVICE  
AND THEIR POTENTIAL APPLICATION TO  
THE GUAM POWER AUTHORITY**

Prepared for the  
**PUBLIC UTILITIES COMMISSION OF GUAM**

By

---

**Bruce R. Oliver**

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**REVILO HILL ASSOCIATES, INC.**

October, 1991

**LIFELINE RATES FOR ELECTRIC SERVICE  
AND THEIR POTENTIAL APPLICATION TO  
THE GUAM POWER AUTHORITY**

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**LIFELINE RATES FOR ELECTRIC SERVICE  
AND THEIR POTENTIAL APPLICATION TO  
THE GUAM POWER AUTHORITY**

**I. INTRODUCTION**

A recent resolution of the Legislature of the Territory of Guam ("Guam") requests the Public Utilities Commission of Guam (GPUC) to establish "lifeline" utility rates for essential utility services. This report examines issues associated with the design and implementation of "lifeline" rates for electric services that the GPUC may need to address if it finds the implementation of lifeline rates to be appropriate for application to Guam Power Authority ("GPA") service.

The discussion of lifeline rates contained herein is organized in four sections. Following this Introduction (Section I), is an Executive Summary (Section II) which attempts to highlight key considerations regarding the structuring of lifeline rate programs. Next, Section III addresses the concept of lifeline rates, the history of the use of lifeline rates by Mainland U.S. electric utilities, and the factors that influence the development of electric utility applications of lifeline rate concepts. Section IV identifies key policy variables in the structuring of electric utility lifeline rate programs as they may be applied in Guam, and discusses alternative designs for lifeline rate programs that the Commission may wish to consider.

## II. EXECUTIVE SUMMARY

There is no broadly accepted definition of lifeline rates. However, lifeline rates are generally understood to represent rate structure approaches for improving the affordability of essential residential utility services. The key parameters of lifeline rate programs for electric service are:

- (1) The determinants of eligibility for lifeline rates;
- (2) The types and amounts of electric service to be billed at lifeline rate levels;
- (3) The methods used to set rates for lifeline service and the relationships between those methods and the utility's costs of service; and
- (4) The manner in which reduced revenues for lifeline services are offset by increased charges and revenue requirements for non-lifeline services.

Furthermore, considering the parameters listed above, the development of a lifeline rate program should be premised on:

- A clearly articulated set of policy objectives and planning assumptions for use in the development of lifeline rates;
- A detailed and well-conceived assessment of the administrative costs of implementing alternative lifeline program structures;
- Specification of the measures of utility costs, if any, that should be considered in setting rates for lifeline services;
- Guidelines for the redistribution of revenue requirements to non-lifeline services; and
- Assessments of the bill impacts of the proposed lifeline rates for both participants and non-participants.

One of the most important determinations which must be made in the structuring of a lifeline rate program concerns the types of customers and/or usage which the program is intended to benefit. A program which is designed to ensure the affordability of essential use requirements for all residential customers is likely to be very different in structure and supporting rationale than one which is designed primarily to assist low-income customers. For example,

programs that are designed to assist low-income customers tend to have greater administrative costs, due to the need for eligibility determinations, than programs which attempt to make essential uses of electricity affordable for all residential customers.<sup>1</sup> On the other hand, programs that are made more generally available to residential customers (e.g., not targeted to low-income customers) tend to affect greater portions of the utility's overall residential service and, thereby, have greater impacts on rates for those customers who do not qualify for lifeline service.

The Commission should also recognize that the establishment of embedded cost-based rationale for lifeline rate design proposals is at best difficult where lifeline rates are targeted only to low-income residential customers. Since the usage characteristics and costs of serving low-income customers are not necessarily distinct from those for other residential customers, the application of different rates to customers with identical load characteristics may be difficult to justify on a basis costs. However, use of marginal cost pricing rationales can provide the Commission with economically justifiable grounds for differentiation of rates for low-income customers.

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<sup>1</sup> Some early lifeline programs were premised on the notion that low income customers were synonymous with low use customers. While a positive correlation can generally be established between income and usage, significant exceptions to that relationship exist. As a result, the expectation should be that significant numbers of low-use customers are not low-income customers and not all high use customers are customers with incomes above the poverty level.

Regardless of the cost basis used in the design of lifeline rates, increases in the amount of usage provided at lifeline rate levels must either result in increases in the bills of non-participants or serve to narrow differentials between lifeline and non-lifeline charges. The Commission must recognize, however, that the implementation of lifeline rates generally involves the utility's incurrence of additional administrative costs, and the magnitude of those additional administrative costs vary with the specific parameters of the lifeline program that is implemented. A proper balancing of these considerations may require either (1) an iterative approach to the design of lifeline charges and charges for non-lifeline services and/or (2) a request that GPA present calculations of lifeline charges under alternative scenarios. In either case, the Commission should attempt to avoid the adoption of program structures under which the additional costs of administering the lifeline rate structure exceed the benefits provided to those sharing in the direct benefits of lifeline rates. Furthermore, the administrative costs of a lifeline program that is targeted to low-income customers should be expected to exceed those for lifeline rates that are offered without income or other eligibility criteria.

GPA's development of lifeline rates can be facilitated by prior determinations, or at least preliminary indications, of Commission policy regarding:



- (a) The types of customers or usage that the Commission believes should be targeted by a lifeline rate program;
- (b) The manner in which revenue requirements would be reallocated to non-lifeline customers; and
- (c) The cost, conservation, or other rationale that should be used by GPA in the design of charges for lifeline service.

In the absence of such guidance from the Commission, GPA could be inappropriately placed in the position of having to make recommendations regarding social policy.

Finally, the structuring of lifeline rate programs, particularly if targeted to low-income customers, should consider the structure of other low-income assistance programs which may already exist. For example, the federal Low-Income Home Energy Assistance Program (LIHEAP) may be viewed as either a complement to, or substitute for, a lifeline rate program.

### III. LIFELINE RATES: HISTORY AND CONCEPTS

Lifeline rate concepts emerged during the period of sharp energy cost increases in the U.S. in the mid-1970's. As consumers grappled with large unforeseen increases in utility costs, a variety of lifeline rate concepts emerged. During that period the "lifeline" label was applied to a variety of rate proposals which, while generally similar in their objectives, often reflected substantial differences in design and supporting rationale. The push for lifeline rates appeared to receive a boost in 1978 with the enactment of the Public Utility Regulatory Policies Act (PURPA) which included specific requirements for consideration of lifeline rates by electric utilities and their regulators. However, few utilities or regulatory jurisdictions reversed their prior position regarding lifeline rates as a result of those PURPA mandated proceedings.

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Since the mid-1980's, few if any Mainland U.S. utilities have implemented new lifeline rate programs, and the "lifeline" label has generally fallen into disuse. As the relative costs of electricity of have fallen in the U.S. during the last decade, issues regarding the affordability of electric service have tended to focus on more narrowly defined low-income customer groups. Still, continues to be considerable activity with respect to assisting payment-troubled customers and maintaining affordable rates for electric service to low-income residential customers.

Although no universally accepted definition of lifeline rates exists, there is a common theme to lifeline rate proposals. That theme can be characterized as the use of rate structure to improve the affordability of specified utility services by setting charges for such services at levels below those which would have otherwise applied. In the ratemaking calculus, however, lower rates generally cannot be provided for one class of customers or category of use without increasing rates for other customers or types of service. The key exceptions would be when either (1) lower rates are directly associated with lower overall costs of service or (2) incremental sales are captured and served at less than the utility's average cost. In other words, all other things being equal, a utility cannot lower rates to one class of customers or category of service without raising rates to other classes of customers or categories of service. Thus, the effective reallocation of cost (and revenue) responsibilities within and among customer classes has been a thorny, and often hotly debated, aspect of lifeline rate considerations.

Issues regarding the reallocation of cost responsibilities among due to the implementation of lifeline rate programs have typically been addressed through the use of one or more of the following approaches:

- Limiting the impacts of such reallocations by restricting the types of customers or categories of service to which lifeline rates would be applied.
- Presenting either embedded or marginal cost rationale to support lower rates for the identified lifeline services, thereby demonstrating that any resulting reallocation of revenues is reflective of a more accurate assessment of class cost responsibilities, rather than a non-cost-based subsidy;
- Offering price elasticity and conservation rationale for lowering charges to certain categories of electric service while increasing charges for other electric services;

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- Asserting that charges for certain services, if not held at affordable levels through the regulatory process, would impose even greater costs on the society; or
- Assessing that comparatively inelastic lifeline uses of electricity are less risky to serve on average than other utility services, and therefore, should be allowed to provide a lesser return on investment.