

BOARD OF DIRECTORS

Dorothy P. Harris, Chairperson

Conchita S.N. Taitano, Vice Chairperson

Fe R. Valencia-Ovalles, Board Secretary



Resolution No. 2025-09

RELATIVE TO MEMORIALIZING EFFORTS TO ENHANCE REVENUE SINCE 2019, IMPLEMENTING A METHODOLOGY TO SECURE CONTINUED REVENUE SUSTAINABILITY, AND PETITIONING THE PUBLIC UTILITIES COMMISSION (PUC) FOR APPROVAL OF THE 2025 TARIFF RATES REVENUE ENHANCEMENT.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE PORT AUTHORITY OF GUAM:

WHEREAS, the Port Authority of Guam (PAG) serves as a critical economic hub for Guam, facilitating trade, commerce, defense, and transportation essential to Guam's economic development, regional security, and geopolitical stability; and

WHEREAS, PAG has maintained financial stability despite external challenges such as the COVID-19 pandemic, ongoing recovery from Typhoon Mawar, and rising operational costs, demonstrating strong management, extremely dedicated Port Strong employees, a supportive industry, and leadership guidance from Governor Lou Leon Guerrero, Lt. Governor Josh Tenorio, Port Board Chairperson Dorothy Harris, Port Board Vice Chairperson Conchita Taitano, and Port Board Secretary Fe Valencia Ovalles; and

WHEREAS, PAG has implemented various initiatives to enhance revenue and sustain operations, including adjusting operational expenditures, pursuing federal and local funding opportunities, updating tenant agreements and lease terms pursuant to applicable public law, and streamlining operations through cost-saving measures; and

WHEREAS, the Board recognizes the importance of ensuring PAG remains competitive, resilient, and compliant with regulatory requirements while addressing fiscal challenges; and

WHEREAS, the Board further acknowledges the need for transparency, inclusivity, and data-driven decision-making through a revenue enhancement methodology to sustain revenue and implement future strategies; and

WHEREAS, the PAG Board of Directors adopted Resolution No. 2025-01 to memorialize efforts to enhance revenue since 2019 and implement a methodology to ensure continued revenue sustainability; and

WHEREAS, since 2019, PAG has undertaken significant financial stabilization efforts, including enhancing operational efficiencies, optimizing workforce utilization, implementing stricter financial controls, and making internal adjustments within the tariff, all while maintaining service reliability without imposing significant rate increases on stakeholders; and

WHEREAS, the proposed adjustments do not constitute a general tariff increase but rather an effort to fully utilize the existing tariff structure by ensuring that all applicable charges are properly billed, aligning revenue collection with the cost of services provided by PAG; and

WHEREAS, PAG acknowledges the cooperation and understanding of its carriers, who have thus far not tied their own operational increases to the Port's tariff adjustments; and

WHEREAS, the adjustments include billing for services that have historically been provided but not consistently charged—such as third and fourth gangs, supervisor overtime, mechanic/electrician night differentials, and the use of a third gantry crane—ensuring fairness and financial sustainability while minimizing disruption to stakeholders; and

WHEREAS, despite global supply chain disruptions, rising operational costs, and inflationary pressures, PAG has sustained financial stability through strategic cost management, reinvestment in critical infrastructure, adoption of technology for process improvements, and securing federal funding for key modernization projects; and



WHEREAS, on July 6, 2022, Governor Lou Leon Guerrero allocated \$15 million in American Rescue Plan (ARP) funds to the Port Authority of Guam, with PAG and its Board of Directors agreeing with the Governor to pause efforts for tariff adjustments or increases for Fiscal Years 2023 and 2024; and

WHEREAS, since 2019, the General Manager of PAG has continuously led a comprehensive review of the tariff structure and billing practices, identifying potential underbilling for services rendered and directing an analysis to confirm these assumptions and identify revenue opportunities, ensuring that PAG fully exercises the revenue mechanisms available under the existing tariff before seeking further adjustments; and

WHEREAS, on January 31, 2025, the General Manager of the Port Authority of Guam sent formal letters to carriers and shipping agents outlining the proposed revenue enhancement methodology, labor rate adjustments, and throughput rate adjustments, providing them the opportunity to submit feedback; and

WHEREAS, at the request of the General Manager of PAG, and with the support of the Port's Chief Financial Officer, together with Finance and Tariff personnel, WSP conducted a Tariff Revenue Opportunities Analysis (Task 14.6) to evaluate the current tariff structure, billing practices, and revenue collection processes, ensuring PAG collects all revenue it is entitled to under the existing tariff before implementing a simplified tariff; and

WHEREAS, the analysis confirmed the General Manager of PAG's assessment that the Port had been underbilling for certain services and required an independent validation by WSP, which subsequently identified underbilling issues, including missed charges for third and fourth gangs could have generated \$110,000 in six months (January-June 2024), supervisor overtime and mechanic/electrician night differentials could have added \$32,323 in revenue in six months, and the use of a third gantry crane, with potential revenue gains of \$143,162 in early 2024, and an estimated \$900,000 over three years; and

WHEREAS, recommendations from the analysis include aligning operational practices with billing, establishing clear vessel service standards, conducting regular cost studies, and implementing proactive billing mechanisms to prevent revenue leakage and enhance financial sustainability, all of which were immediately implemented despite initial internal resistance, with the full, uncontested cooperation from the industry; and

WHEREAS, stakeholders have been given sufficient opportunity to provide input, and PAG remains committed to addressing reasonable concerns while ensuring financial stability and compliance with tariff regulations, noting herein that PAG remains committed to direct stakeholder engagement and will continue proactive outreach efforts leading up to and throughout the PUC review process to ensure industry concerns are considered; and

WHEREAS, it is in PAG's best interest to proceed with submitting the petition to the Public Utilities Commission (PUC) to ensure timely review and implementation of necessary tariff adjustments; and

WHEREAS, PAG Finance Division reviewed the tariff rates and the salary rates of the positions included in the activity; and

WHEREAS, the tariff rates were last updated on October 1, 2020, with a 1% increase based on a 5-year tariff adjustment in accordance with PAG Docket 17-01 approved by the Public Utilities Commission in April 2017; and

WHEREAS, PAG Docket 17-01 recommended that PAG return to the Commission for possible rate revisions if Guam's CPI exceeds 4% per annum, cargo throughput deviates by 5% from projected growth, PAG loses an appeal requiring a \$15 million arbitration award, or if crane replacements are required earlier than planned; and

WHEREAS, the Guam Consumer Price Index, Cost of Living Section, issued for the 3rd Quarter of 2024, states the CPI average percent change was 3.8%, 7.9%, and 8.7% for 2021, 2022, and 2023 respectively; and



WHEREAS, to ensure a structured and measured adjustment, PAG proposes a phased-in approach to tariff rate adjustments, implementing an 8.5% increase for the first four months from the date of implementation, followed by a full 17% increase from months five through twelve. This phased approach is designed to mitigate financial impact on stakeholders, minimize abrupt cost burdens on carriers, and allow industry partners time to adjust operations accordingly while enabling PAG to address inflationary pressures and operational costs in a sustainable manner; and now therefore be it

RESOLVED, that the Port Authority Board of Directors authorizes the General Manager to petition the PUC for consideration, review, and approval of the 2025 tariff rate revenue adjustments, including the proposed phased implementation of an 8.5% increase for the first four months and a 17% increase from months five through twelve, ensuring a structured transition for stakeholders and financial sustainability for PAG, with the understanding that PAG has made reasonable efforts to engage stakeholders, will present any industry feedback received during the PUC process, and retains the flexibility to amend its approach based on substantive concerns raised, including those that may be formally submitted to the PUC by industry representatives; and be it further

RESOLVED, that the Chairperson certify to, and the Secretary attest to, the adoption hereof, and that a copy of this resolution be sent to the Public Utilities Commission.

PASSED AND ADOPTED UNANIMOUSLY BY THE BOARD OF DIRECTORS THIS 26th DAY OF FEBRUARY, 2025.

DOROTHY P. HARRIS
CHAIRPERSON, BOARD OF DIRECTORS
PORT AUTHORITY OF GUAM

FE R. VALENCIA-OVALLES
SECRETARY, BOARD OF DIRECTORS
PORT AUTHORITY OF GUAM

