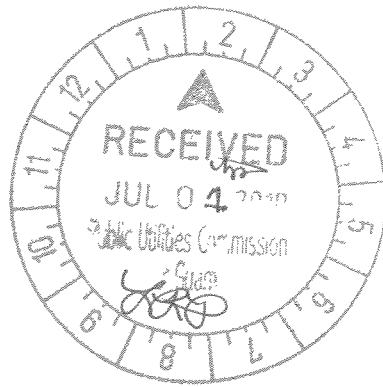


1 **D GRAHAM BOTHA, ESQ.**
2 **Legal Counsel**
3 **Guam Power Authority**
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8 **BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

9 IN THE MATTER OF:

10 Guam Power Authority's Filing Regarding
11 Implementation of CTP Wage Increases
12

) **DOCKET NO. 07-10**

) **FILING RE IMPLEMENTATION OF CTP**
) **WAGE INCREASES**

13
14 **COMES NOW**, the GUAM POWER AUTHORITY (GPA), by and through its counsel
15 of record, D. GRAHAM BOTHA, ESQ., and hereby files its Implementation of CTP Wage
16 Increases. In accordance with the February 2010 PUC Order, GPA is providing the attached
17 report of Alan Searle and the base salary regression chart. The review and analysis indicate that
18 the initial findings of the market percentiles remain accurate and reflect current market
19 conditions.

20 **RESPECTFULLY SUBMITTED** this 30th day of June, 2010.

21
22 
23 **D. GRAHAM BOTHA, ESQ.**
24 **GPA Legal Counsel**
25
26
27
28

COPY



GUAM POWER AUTHORITY

ATURIDÁT ILEKTRESEDÁT GUAHAN
P.O. BOX 2977 HAGÁTÑA, GUAM U.S.A. 96932-2977

June 24, 2010

MEMORANDUM

TO: General Manager

FROM: Personnel Services Administrator

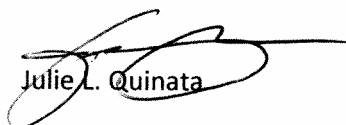
SUBJECT: Response to PUC Order of February 25, 2010
Re: Docket 07-10



Transmitted herewith are two (2) documents received from Alan Searle & Associates Limited in response to the PUC compliance issue with regard to the status of implementation of CTP wage increases. The first document is Mr. Searle's report to the PUC and the second, is a base salary regression chart.

Based on Mr. Searle's review and analysis, the initial findings of the market percentiles as provided to GPA at completion of the compensation study remain accurate and reflect current market conditions. Thus, progression of migrating to the next level of market percentile rests with the decision of the executive management.

Should there be questions, please call me. Si Yu'os Ma'ase.


Julie L. Quinata

Attachment (s)

Cc: File
CFO
Asst. CFO
Legal Counsel

ALAN SEARLE & ASSOCIATES LIMITED

Management Consultants

P.O. Box 32-626 Devonport 1330, Auckland, New Zealand 7 William Bond Street, Devonport 1309, Auckland, New Zealand
Phone / Fax : 64 - 9 - 4454088 Email : alan.searle@xtra.co.nz

Report to Public Utilities Commission

As the consultants who undertook Guam Power Authority's (GPA's) compensation study in 2007 the following report is provided as an overview of current compensation trends within the U.S. utilities sector. We understand (from the PUC's perspective) that of particular interest is the extent the market has moved in the intervening period.

As a baseline, market data was obtained from the U.S. Bureau of Labor Statistics (BLS) coupled with our own market research. Within the BLS website, the utilities sector is part of the Trade, Transportation and Utilities" super sector which is defined under NAICS (North American industry Classification System) as :

"establishments engaged in the provision of the following utility services: electric power, natural gas, steam supply, water supply, and sewage removal. Within this sector, the specific activities associated with the utility services provided vary by utility: electric power includes generation, transmission, and distribution; natural gas includes distribution; steam supply includes provision and/or distribution; water supply includes treatment and distribution; and sewage removal includes collection, treatment, and disposal of waste through sewer systems and sewage treatment facilities"

The above can be further divided to focus specifically on utilities as a single subsector which consists of the following three industry groups :

- Electric Power Generation, Transmission and Distribution: NAICS 2211
- Natural Gas Distribution: NAICS 2212
- Water, Sewage and Other Systems: NAICS 2213

In terms of employment cost trends, the BLS produce quarterly indexes measuring change over time in labor costs (ECI) and quarterly data measuring the average costs per hour worked (ECEC). The following are the ECI indexes for the utility sector covering the period 2008 - 2010. The averages shown indicate the average annual movement for total compensation (Table 1) and for wages & salaries (Table 2).

Table 1 : Total Compensation (Utilities)

Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Ann. Av.
2008	3.6	3.2	3.0	3.1	3.2
2009	2.9	2.6	2.9	2.8	2.8
2010	5.3				

Please note that total compensation includes wages, salaries and employer costs re : the provision of employee benefits.

Table 2 : Wages & Salaries (Utilities)

Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Ann. Av.
2008	3.5	3.6	3	2.6	3.1
2009	2.8	2.5	2.7	3.4	2.8
2010	2.6				

In terms of earnings by occupation, the BLS also provides details of wages per annum for a wide variety of occupations. As a point of comparison, Table 3 below shows the mean values of some benchmark positions (from BLS's website) against the 50th market percentile (or market average) from our 2007 compensation report.

Table 3	Mean (1)	50 th Market Percentile (2)
Electrical engineers (utilities)	84,880	84,921 (3)
Mechanical Engineers	82,580	81,820 (4)
Environmental Engineers	82,390	81,820 (5)
Electrical Power Line Installers and Repairers	59,950	61,508 (6)
Power Plant Operators	61,900	61,763 (7)
Power Distributors and Dispatchers	65,920	65,648 (8)
Welders, Cutters, Solderers, and Brazers	54,780	52,400 (9)
First line Supervisors / Managers of Prod. & Op's Workers	74,460	81,254 (10)
Precision Instrument and Equipment Repairers	62,540	59,550 (11)
Maintenance Workers (Machinery)	47,550	52,359 (12)
Electrical & Electronics Repairers (Powerplants, Substations etc)	62,490	61,508 (13)
Computer Operators	54,630	49,888 (14)
Executive Secretaries & Administrative Assistants	46,600	47,702 (15)
Meter Readers	39,630	39,372 (16)
Customer Service Representatives	40,000	44,664 (17)

Table 3 (Continued)	Mean (1)	50 th Market Percentile (2)
Procurement Clerks	44,890	43,746 (18)
Cashiers	28,570	29,165 (19)
First Line Supervisors (Office & Admin. Workers)	62,290	60,982 (20)
Computer Programmers	73,500	76,990 (21)
Computer Support Specialists	54,870	55,539 (22)

Notes :

- (1) From U.S. Bureau of Labor Statistics (BLS)
- (2) From Market Percentiles - Report 2007 (Alan Searle & Associates Limited)
- (3) Engineer III (Electrical - Substation)
- (4) Engineer III (Mechanical)
- (5) Engineer III (Environmental)
- (6) Line Electrician II (Journeyman)
- (7) Plant Operator III
- (8) Electric Power Systems Dispatcher I
- (9) Welder III
- (10) Plant Operator / Maintenance Supervisor (Cabras 3&4)
- (11) Plant Instrument Technician II (Journeyman)
- (12) Plant Maintenance Mechanic II (Journeyman)
- (13) Plant Electrician II (Journeyman)
- (14) Computer Operator III
- (15) Administrative Officer
- (16) Average of Meter Reader I, II, Leader and Supervisor
- (17) Customer Service Representative
- (18) Buyer II
- (19) Cashier II
- (20) Customer Service Representative Supervisor
- (21) Average of Programmer Analyst & Programmer Analyst Supervisor
- (22) Average of Computer Technician I, II and Leader

To put the above in perspective, the market percentiles as provided to GPA (at the time the compensation study was completed) are still accurate and reflect current market conditions.

To recap on GPA's current compensation model it needs to be emphasized that there are two important components to ensuring its ongoing effectiveness.

The first of these is internal equity and this was addressed in Stage One of the compensation study by applying a job evaluation tool (encompassing 12 factors) to each certified, technical and professional (CTP) position within GPA. The total point value of each position was then determined with results aiding the eventual identification of a unique implementation range for each position. In terms of ongoing maintenance GPA can use the job evaluation tool to assess or reassess any new or changed positions respectively.

The second component is to ensure the compensation model is externally competitive. During Stage Two of the compensation study we presented (see Figure 1 attached) a regression analysis that clearly portrayed the vulnerability of GPA to both attracting and retaining CTP staff based on its market position in 2007. As a course of action the CCU endorsed a plan to migrate GPA to a more competitive market position with the eventual target being the 50th market percentile or market average (U.S. Mainland). This resulted in an initial adjustment to the 5th market percentile (2007) and then to the 10th market percentile in 2009. Whilst both adjustments are heading in the right direction it needs to be emphasized that even at the 10th market percentile, 90% of the market is still paying at a higher rate.

Before expanding on the above further we would like to make reference to Julie Quinata's recent testimony (Docket 07-10) where she points out that :

"GPA recognizes that in the next five(5) to ten (10) years, it will be faced with a potential loss of its most senior level employees who are highly skilled and experienced due to age and/or service retirement. As of September 21, 2007 the Operations Division alone will have 132 employees eligible to retire within the next five years and 201 employees will be eligible within the next 10 years. Therefore, given its current employee demographics, GPA stands to loose close to half its current full-time workforce in ten years".

"Secondly, employee experience and qualifications are quite unique for GPA positions. No other entity is charged with the responsibility for the full range of electric services (to generate, transmit, distribute and sell electricity) for the island. As such, there is no abundant workforce pool to draw talent and experience on island. Unlike the many years ago, the US Navy jointly operated the island's power system coupled with a successful apprenticeship program to support the utility with skilled personnel. There were several years of joint operations of the power grid between the US Navy and GPA, that allowed island residents to gain experience and training and it resulted in a healthy number of qualified personnel to be recruited by GPA. Today the situation is drastically different. Navy, neither operates or maintains a power system (it is a transmission level customer under the Customer Service Agreement) nor does it provide certified apprenticeship training for island residents".

In her testimony, Julie Quinata also outlines the reasons behind GPA pursuing legislation for full autonomy of its compensation and performance management structure as in the past the Authority's ability to offer attractive and competitive salaries was limited by public law. The end result saw Public Laws 28-112, 28-113 and 28-159 (HR-B,C,D) passed with overwhelming support from the Guam legislature and the Government of Guam as both recognized that a significant change in compensation for CTP employees was needed to ensure the long-term viability of GPA. With compensation being a large factor in the recruitment and retention of its employees the resulting initiatives (from the Public Laws) were also seen as a basis for providing productivity / performance incentives and for the career development of employees thus resulting in a more reliable and sustainable Island Wide Power System (IWPS).

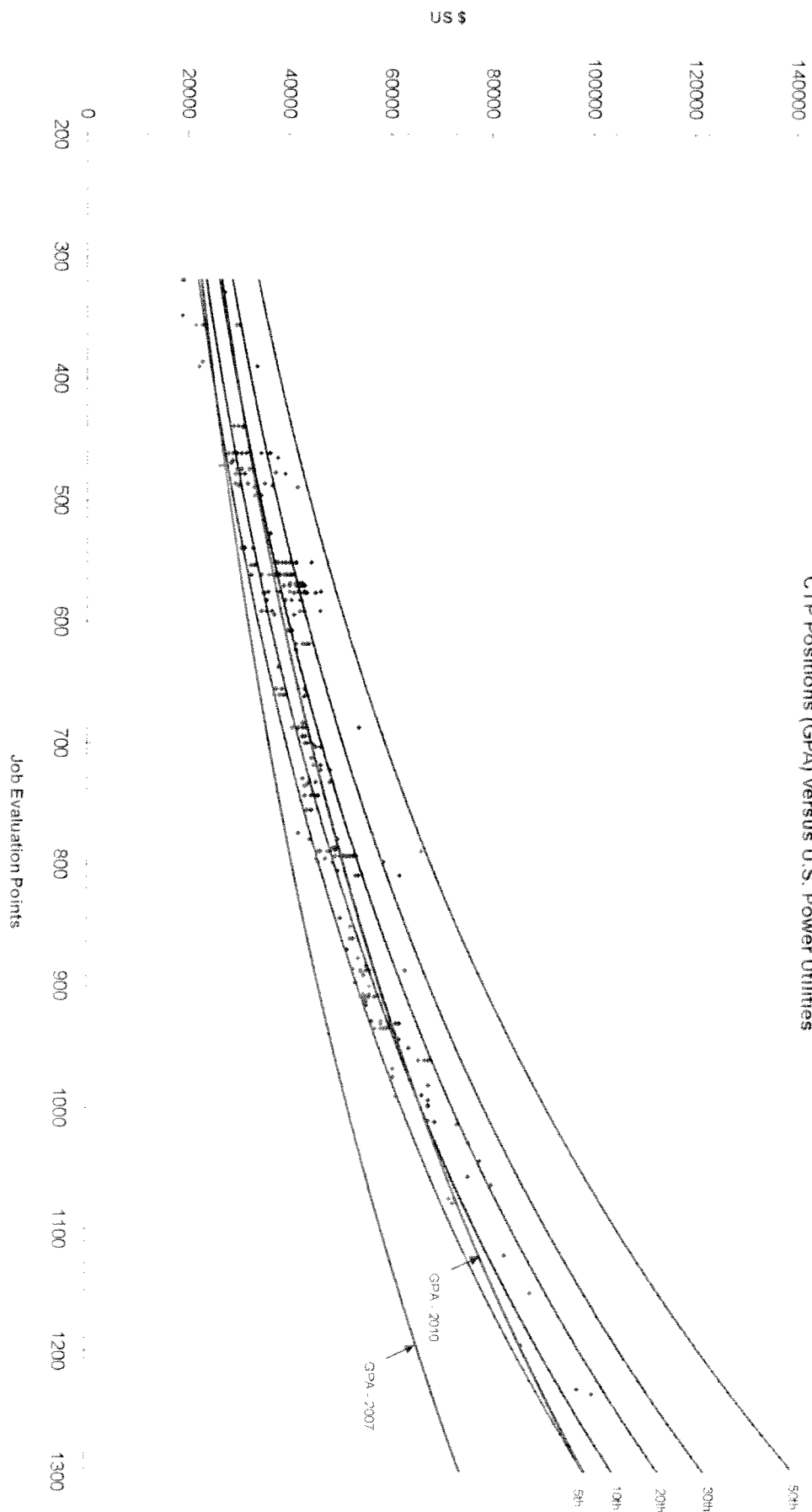
In summary, although compensation in itself will not totally solve GPA's recruitment and retention problems it does provide a mechanism (as GPA migrates to higher market percentiles) for its compensation model to become more externally competitive and consistent with US national standards. To restrict this mechanism (for the reasons outlined above and notwithstanding GPA's current employee demographics) will be detrimental not only to the long-term viability of GPA but also to the island's residents who depend and rely heavily on the electric services provided.

Alan Searle

Director

Alan Searle & Associates Limited

Figure 1 - Base Salary Regression
CTP Positions (GPA) versus U.S. Power Utilities



GPA - 2007 & 2010
Market Percentiles (U.S. Power Utilities) - 5th, 10th, 20th, 30th and 50th