

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

**GUAM POWER AUTHORITY'S 2011
MULTI YEAR BASE RATE RELIEF
FILING**

GPA DOCKET 11-09

ORDER

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [PUC] Administrative Law Judge (ALJ) upon the Emergency Petition of Guam Power Authority ["GPA"] for Approval of Changes to Tariffs G, J, P, K and L to address Concerns Regarding Demand Charges.¹

BACKGROUND

2. In its Base Rate Filing in November 2011, GPA included the implementation of demand charges for customer billings to more closely align costs attributable to such demand customers.²
3. By order dated May 7, 2012, at the conclusion of Phase 1 of the base rate case proceeding, the PUC authorized GPA to establish demand rates for the purpose of more closely aligning the revenue received from customers with the costs attributable to the customer class.³
4. Upon implementation of the new demand charges in May 2012, GPA determined that 1,538 customers were "extremely negatively impacted" by the implementation of the demand charges. GPA determined that 853 of those customers were in an inappropriate rate class, and GPA moved those customers into their appropriate rate class.⁴
5. In its Emergency Petition, GPA requests the following changes:
 - a. Effective October 1, 2012, the adoption of revised rates for tariff schedules G, J, P, K, and L; interim rates set demand charges to recover 30% of the tariff schedules' identified revenue requirement. GPA now proposes to set the demand charges

¹ GPA Emergency Petition for Changes to Tariffs G, J, P, K, and L to Address Concerns Regarding Demand Charges, GPA Docket 11-09, filed August 16, 2012.

² GPA Petition for Approval of Multi-Year Base Rate Relief, GPA Docket 11-09, filed November 3, 2011.

³ PUC FY 12 Rate Decision, GPA Docket 11-09, dated May 7, 2012,

⁴ GPA Emergency Petition, *supra*, at p. 1.

- to recover 10% of the tariff schedules' identified revenue requirement. GPA further proposes that the "tail block" rates for each of these tariffs would be increased to offset the revenue lost by decreasing the demand charges.
- b. The decrease of the minimum demand level for Tariff J, K from 25kW to 10kW.
 - c. Modification of residential, commercial, and government tariffs to allow a customer to be reclassified from a higher or lower rate tariff based on usage in that rate class for at least 6 out of a 12 month period.
 - d. Implementation of a separate tariff for Independent Power Producers.
 - e. Approval of the proposed rate treatment of the \$380,000 cost of service adjustment determined in GPA's Supplemental Filing from the civilian to Navy class and a proposed treatment for handling the over/under-recoveries during the May-September 2012 period on the WCF Surcharges for Navy and civilian classes during October and November 2012.
 - f. Adoption of proposed adjustments for the FY 2011 Test Year Billing Determinants due to the re-classification of customers.
 - g. Adjustment of fees identified in revised Schedules A & B [attached to Emergency Petition] of meter installation charges, meter re-read fees, re-inspection fees, energy analyzer fees, meter change-out, test, calibration fees, etc.⁵
6. At the request of the PUC on August 16, 2012, the Georgetown Consulting Group, Inc. ["GCG"] prepared its Report in response to the changes requested in GPA's Emergency Petition.
 7. On August 24, 2012, GCG filed its Report.⁶
 8. The PUC adopts the statement of "Background" as set forth in the GCG Report.

⁵ GPA Emergency Petition, GPA Docket 11-09, filed August 16, 2012, at pgs. 10 and 19 [Testimony of Randall V. Wiegand] and Rate Schedule "A" and Schedule "B" [Service Establishment Charges].

⁶ GCG Report re: Review of Emergency Petition for Changes to Tariffs J, P, K and L to Address Concerns Regarding Demand Charges, GPA Docket 11-09, filed August 24, 2012.

DETERMINATIONS

9. The PUC shares a number of the concerns raised by GCG in its Report. Many of the issues raised by GPA are not proper subjects of an "Emergency Petition" but should be addressed in a deliberate, orderly process. A number of the changes should have been addressed in the original base rate filing.
10. It is understandable that GPA seeks to address the large percentage billing increases that have resulted from the Interim Rates; however, the changes proposed are dramatic and the limited time for review does not allow the level of review and scrutiny typically undertaken by GCG and the PUC.
11. The measures and remedies ordered herein are all adopted as temporary and interim provisions and are subject to further revision and modification.

ORDERING PROVISIONS

After review of the record herein, GPA's Emergency Petition, and the GCG Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. Effective October 1, 2012, GPA is authorized to adopt the proposed emergency rate changes to Schedules G, J, P, K, and L including setting the recovery of the demand component of such rates at 10% in lieu of the 33% included in the interim rates. The tail block rates for each rate schedule may be increased to offset the revenue lost by decreasing the demand charge. However, the PUC makes no determination of the 10 step increase process proposed by GPA. The PUC will review GPA's work papers supporting the development of such rates and make the final determination of these matters and applicable calculations at an appropriate time. The changes authorized herein are not "final" at the present time.
2. Effective October 1, 2012, the minimum demand level for Schedules J and K shall be reduced from 25 kW to 10 kW.
3. Effective October 1, 2012, implementation by GPA of a new Schedule I for Independent Power Producers is approved.
4. Effective October 1, 2012, the miscellaneous fees included in Schedule A & B shall be adjusted as recommended by GPA.

5. GPA's proposed six (6) month reclassification criteria for customers being allowed to move between different rate classes are approved.
6. The proposed rate treatment of the \$380,000 cost of service adjustment from the civilian to Navy class, determined in the supplemental filing, and the proposed treatment for handling the over/under-recoveries during the May-September 2012 period via the WCF surcharges for Navy and the civilian classes during October and November 2012, are, at present, deferred. Navy has not had a full opportunity to review the proposed changes or respond thereto.⁷ At present Navy has not consented to said treatment. This matter can be further considered by the PUC.
7. GPA shall provide for Commission approval, no later than September 15th, a final plan for the true-up of all customer billing amounts deferred during the May-September 2012 period for customers for whom GPA estimates the bill impact exceeded 10% after the interim rates were implemented and the customer classification errors were corrected. Additionally, GPA should provide the Commission with a copy of the public information program it will implement to adequately inform consumers of the process that will be followed to implement the true-up of deferred billings.
8. As part of its Year 2 rate plan, GPA is required to present to the Commission:
 - a. Alternatives to its proposed nine year phasing in GPA's optimal plan of 50% Demand, 30% First Block and 20% Tail Block rates.
 - b. A revenue decoupling plan to reduce the revenue volatility associated with what will become upon the Commission's approval of the above recommendations GPA's heavily weighted Tail Block revenues.
 - c. An assessment of the impacts of these emergency rate design changes on its ability to retain large power customers.
 - d. Revised Schedule I rates aligned with the actual cost to serve this type of customer.

⁷ Email from John Masterson, Navy Counsel, to PUC Counsel Fred Horecky, dated August 27, 2012.

9. All of the Orders adopted herein are subject to revision and/or modification, as well as “true up”, during Phase II of the proceedings or during Year 2 of the Rate Plan.

10. GPA is ordered to pay the Commission’s regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC’s regulatory fees and expenses is authorized pursuant to 12 GCA §12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 27th day of August, 2012.

Jeffrey C. Johnson
Chairman

Joseph M. McDonald
Commissioner

Rowena E. Perez
Commissioner

Filomena M. Cantoria
Commissioner

Michael A. Pangelinan
Commissioner

Peter Montinola
Commissioner