

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF: )  
Guam Power Authority's 2011 Multi-Year ) GPA Docket 11-09  
Base Rate Filing ) FY 12 RATE DECISION  
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*Background and Procedural History of this Docket*

1. On November 3, 2011, GPA filed its Petition for Approval of Multi-Year Base Rate Increases for: a] 11.8% for the period from March 1, 2012 through September 30, 2012; b] 1.3% for the period from October 1, 2012 through September 30, 2013; c] 10.6% for the period from October 1, 2012 through September 30, 2014; d] 0% for the period from October 1, 2014 through September 30, 2015; e] 0% for the period from October 1, 2015 through September 30, 2016.
2. GPA's Petition requested numerous other changes, including raising of the self-insurance fund cap to \$20 million, PUC approval of certain financial targets proposed by GPA for evaluating rate increases, implementation of a quarterly LEAC true-up process, PUC approval of a revised Tariff M for backup and standby rates and approval for a Payment in Lieu of Taxes (PILOT) surcharge to cover payments in the General Fund of \$3.5M in FY 2012 and \$875,000 annually in FYs 2013-2016.
3. GPA also requested a change in the manner in which it allocates its demand charges so that such charges are more reflective of the cost-of-service to serve customers. GPA seeks authority to move toward "cost-based customer charges" in its rates. GPA believes that these changes will more fairly allocate costs so that the customer that caused the cost is responsible for paying the cost.
4. On November 29 and December 2, 2011, the ALJ conducted a scheduling conference. The ALJ adopted the schedule proposed by the parties (attached to the ALJ Report as Exhibit "1").
5. On February 8, 2012, the ALJ issued an ORDER RE: PRELIMINARY ISSUES deferring four issues until Phase II of this proceeding: Payment in Lieu of Taxes [PILOT]; Self Insurance and all issues relating thereto; Clarification of Procedures and Requirements relating to the Working

Capital Fund; and LEAC Period [whether the LEAC period should be reduced from six months to three months].

6. During the proceedings, in March, the ALJ made a ruling on the interpretation of the "General Lifeline Rate" (as set forth in 12 GCA §12004), holding that there can be no increase in the general lifeline rates until the 20% requirement is met for each successive increase requested.
7. On March 7, 2012, the ALJ conducted a contested hearing at which time the parties (GPA, Navy, and GCG) presented argument and position statements concerning issues involving rate design and the allocation of rate base to Navy: whether "Other Revenues" should appropriately be allocated to the Navy in the GPA Transmission Level Cost of Service Study (TLCOS); the manner in which Independent Power Producer Debt Service Costs should be allocated; and whether GPA should be authorized to utilize a new allocation methodology, Average Excess Demand 12 Coincident Peak Methodology (AED/12 CP).
8. In accordance with the Ratepayer Bill of Rights, three public hearings were conducted on April 3, 4, and 5, 2012, at Hagatna, Agat, and Dededo respectively.
9. At the "evidentiary" public hearing conducted in Hagatna at the GCIC Building on April 3, 2012, GPA and Georgetown Consulting Group ("GCG") presented a Stipulation.
10. On April 24, 2012, the ALJ issued his Report herein, which report includes proposed findings on the contested rate design/allocation issues and recommendations on the requested rate increase by GPA. On April 30, 2012, the ALJ issued "ALJ Order Re: Allocation of Additional WCF Surcharge".

### *Stipulation*

11. In the "evidentiary" hearing in Hagatna during the evening of April 3, 2012, GCG and GPA presented an overview of the Stipulation which had been entered into by the parties, including the Navy. The Stipulation is made *Attachment A* hereto.
12. The Stipulation essentially provides for a 6% increase in base rate revenue requirements, effective May 1, 2012. This increase would be effective for the

remainder of 2012 and 2013. In 2014, there would be a simplified base rate filing by GPA, indicating revenue requirements, and any comparisons or changes with regard to revenue requirements and other requirements set forth at the time of the filing. The PUC would then adjust rates, if appropriate.

13. At this time, GPA's target base rate increase for FY2014 is approximately 10.6%, which largely is based upon principal and interest payments which will become due on the 2010 Bond Issue. However, the amount of any such increase will be addressed in 2014. Thus, what was initially a five-year rate plan, has been reduced to a set two-year plan with an additional filing for the third year.

#### *Determinations*

14. GPA has complied with the requirements of the Ratepayer Bill of Rights in this Docket.
15. The Stipulation of the parties, made *Attachment A* hereto, should be approved; all provisions impacting rates in the Stipulation should be implemented in accordance with the agreements of the parties.
16. In accordance with the Stipulation, and the calculations of the parties therein, GPA should be awarded a single overall 6% base revenue requirement increase for the period covering FY2012 and FY2013 for meters read on and after May 1, 2012.
17. For FY2014, GPA will make an abbreviated base rate filing, no later than April 1, 2013, in accordance with certain revenue requirement filing procedures set forth in the Stipulation and based upon the targeted revenue requirements for FY 2014 shown on Attachment 1 to the Stipulation. There will be an expedited review of such filing, which shall be filed in accordance with Attachment 2 to the Stipulation. In its filing, GPA shall provide the PUC with data and relevant information concerning the impact on ratepayers of the approved changes on the lifeline block and the tail block. GPA shall assist the PUC in all necessary respects of its understanding of such changes.
18. For FY2015 and FY2016 there shall be no incremental base rate changes without a new base rate filing. However, any civilian revenue neutral rate

design changes approved by the PUC in this proceeding may be implemented without the need for GPA to file a base rate filing.

19. With regard to PUC standards for revenue requirements, the well-established standard of the PUC for GPA to target 1.75x debt service coverage ratios ("DSCR") on senior debt obligations should continue.
20. In making the calculation for the Debt Service Coverage Ratio, Independent Power Producer expenditures, only for the purposes of coverage calculations for revenue requirement determinations, will be treated as expenses and as not as a capitalized lease.
21. In Phase II of this Docket, the PUC will consider and provide additional guidance on the issue of the DSCR requirements on subordinate revenue bonds.
22. GPA should be provided adequate financial liquidity to run its day-to-day operations and to provide flexibility when it has a need to access the financial markets. The parties agree that a number of important steps have already been taken in this regard. At the end of FY2013, it is projected that GPA will have approximately 48 days of cash on hand.
23. In this rate case, GPA has agreed to and will reduce its budgeted labor and non-labor O&M expenses by approximately \$3.6M in FY2012 and FY2013.
24. Effective May 1, 2012, the PUC should award an overall 6% increase in base rate revenues of approximately \$9.1M.
25. Effective May 1, 2012, the civilian Working Capital Fund base rate surcharge should be increased to reflect the increase in the fuel portion of GPA's WCF requirement. The flat fee WCF surcharge charged to DoD should also be increased. The increase occurring on May 1, 2012, should be amortized over a 12-month period rather than the remainder of the WCF amortization period.
26. Adjustments to charges for Residential Service (Schedule R) should be phased-in over a five-year period in accordance with the stipulated

- schedule. For residential service, the Customer Charge would increase gradually from \$10.00 in FY2012 to \$15.00 in FY2015.
27. Between FY2012 and 2016, the subsidy in the Lifeline Block would be progressively decreased until, in FY2016, the Lifeline Block would equal 80% of the "Tail Block Charge" (i.e. the charge for all kWh use in excess of 500 kWh per customer per month). There would be no change in the Lifeline Block for FY 2012; in FY 2013, the Lifeline Block Charge will equal 50% of the Tail Block Charge; in FY 2014, the Lifeline Block Charge will equal 60% of the Tail Block Charge; in FY 2015, the Lifeline Block Charge will equal 70% of the Tail Block Charge; and in FY 2016, the Lifeline Block Charge will equal 80% of the Tail Block Charge. These changes shall be implemented in accordance with the procedures agreed to by the parties in the stipulation.
  28. Increases should be phased-in for General and Government non-demand rates (Schedules G&S) in three fiscal years with approximately a 33% increase in the Customer Charge in the FY2012 rates; the first adjustment will be effective May 1, 2012, the second adjustment effective October 1, 2012, and the third adjustment effective October 1, 2013. Energy charges will also be adjusted in accordance with the Stipulation..
  29. New rate structures will be implemented for Demand-Metered Non-Residential Rate Classes (Schedules J, K, L, & P) with separately stated Demand and Energy charges as GPA has proposed. Voltage discounts presently included in base rates will be retained with tariff language changes to clarify applicability by voltage level and applicability to base rate energy and demand charges. The voltage discounts will be provided to differentiate the base rate cost responsibilities of customers who take service at higher voltages from those for customers that take service at secondary voltage.
  30. Recommended new provisions allowing GPA to provide pricing flexibility for Large Power customers should be approved; specific agreements proposed will be reviewed by the PUC on a case-by-case basis. These negotiated rates will only be available to customers who agree to make a substantial long-term commitment to continued service from GPA. The

- substantive provisions for such agreements, and the process for approval, shall be in accordance with the Stipulation.
31. GPA's proposed Standby Service Schedule (Schedule M) should be approved. GPA will include provisions that allow for scheduled maintenance without the incurrence of added demand charges by the customer.
  32. GPA, working cooperatively with PUC, will examine the potential use of "revenue decoupling mechanisms" to stabilize its revenue collections and protect against loss of revenue due to: (1) deployment of energy efficiency and conservation measures by customers; and (2) competition from alternative providers of energy services in self-generation options. GPA will include, in its next base rate filing, a report on its plan for implementation of revenue decoupling. Such report will be in accordance with the procedures agreed to in the Stipulation.
  33. In order to generate additional cash reserves for use by GPA, the PUC approves the removal of any restriction on the use of the "Funds Reserved for Bond Project Overruns" which the PUC ordered to be placed in a contingency fund in its August 30, 2010 Order in GPA Docket 10-01 (approximately \$3.1M).
  34. The Report of the Administrative Law Judge filed herein on April 24, 2012 (including all findings, recommendations, and analysis therein) is hereby adopted and approved, with the exception of the Production Demand Cost Methodology findings (AED/12CP).
  35. As further set forth below, the parties have resolved their dispute as to which Production Demand Cost Methodology to utilize in this Docket.
  36. As to the allocation of "Other Revenues" (disconnection fees, miscellaneous service charges, rent from electric property/pole attachments, late charges and others), GPA may continue to allocate such revenues to Navy in the rate base as set forth in the GPA TLCOS (Transmission Level Cost of Service) Study.
  37. GPA shall continue to be authorized to treat Independent Power Producer debt service costs as production-related expenditures and demand costs in accordance

- with their treatment within the TLCOS. Payments made by GPA to IPPs are for electric power production and deliveries.
38. GPA had previously requested that the PUC change the Production Demand Cost Allocation Methodology from 12 Coincident Peak (12 CP) Methodology to Average and Excess Demand (AED/12 CP) methodology. The ALJ ruled that GPA should continue to use the 12 CP Methodology.
  39. However, GPA, GCG, and Navy entered into a Supplemental Stipulation (a copy of which is made *Attachment B* hereto) on May 4, 2012. GPA now acknowledges that there was an error with regard to the handling of the Navy meter load data contained in the load study presented in this Docket that significantly impacts the allocation of costs between Navy and Civilian customers as was originally presented.
  40. GPA agrees that, for the present proceedings, it withdraws its request that the AED/12CP methodology be utilized. The parties now stipulate to an order of the PUC that the 12 CP cost allocation methodology continue to be used in GPA Docket 11-09. GPA reserves the right to propose any cost allocation methodology in its next general rate case.
  41. Thus the Commission need not review the ALJ's recommendations in this regard. The 12CP methodology shall continue to be used for cost allocation to the Navy and other customers. Pending the resolution of certain Load Data issues, the PUC shall utilize the allocation of the increase in GPA revenue requirement between the Navy and civilian customers to set and implement rates on an interim basis (Interim Rates) in Phase 1 of GPA Docket 11-09 as indicated in the Supplemental Stipulation.
  42. The Parties will meet and confer regarding the Load Data Issue and propose to the PUC an adjustment to the Interim Rates as soon as practicable. GPA will provide all data reasonably requested by GCG and Navy related to the Load Data Issue.
  43. Upon a resolution of the Load Data Issue, presentation of proper evidence, and approval by the PUC, the Interim Rates shall be adjusted. The PUC shall, upon a "true-up" of any differences between the Interim Rates and Final Rates approved

by the PUC ( for the period beginning the effective dates of Interim Rates established in GPA Docket 11-09 through to when the rates are made final) determine whether an appropriate credit or surcharge should be placed upon the customers' bill (over such period of time as is determined to be appropriate by the PUC).

44. The ALJ and the parties are authorized to continue to examine and assess appropriate costs allocation methodologies in Phase II of this rate proceeding.
45. The interpretation of the ALJ concerning the application of the 20% requirement regarding the General Lifeline Rate, which adopts the "ratchet" approach, is adopted and affirmed.
46. The parties are required to comply with their duties, obligations, and agreements as contained in the Stipulation and Supplemental Stipulation.
47. A Phase II of this proceeding should be established to address the issues which the ALJ has deferred in this proceeding and other relevant issues. The ALJ is directed and authorized to undertake such further conferences or proceedings herein as are necessary to facilitate the resolution of pending or other relevant issues.
48. The Commission adopts the ALJ Order re: Allocation of Additional WCF Surcharge, issued April 30, 2012. The method of rate base allocation and cost of service used in GPA Docket 07-10, with an allocation to Navy of 17%, will be used in the allocation of the additional WCF surcharge in this proceeding which will go into effect on May 1, 2012.
49. The proposed rate changes and increases set forth in the Stipulation, as well as the cost allocation methodologies and tariff revisions, are "just" and "reasonable" pursuant to 12 GCA §§12015 and 12017.

### *Ordering Provisions*

After careful review and consideration of the above determinations, the Report and Recommendations of the ALJ, the testimonies presented at public hearings and on the record herein, the Stipulation and Supplemental Stipulation, and the record herein, for

good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission hereby ORDERS that:

1. All rulings and orders of the ALJ in this proceeding are confirmed and ratified. All motions not hereto for granted or denied are denied. No other matters currently require discussion.
2. The Stipulation of the parties, made *Attachment A* hereto, and the Supplemental Stipulation made *Attachment B*, are approved.
3. In accordance with the Stipulations, and the calculations of the parties set forth in Guam Power Authority Revenue Requirements, FY11-FY16 (Attachment 1 to the Stipulation), GPA is awarded a single overall 6% base revenue requirement increase for the period covering FY2012 and FY2013 for meters read on and after May 1, 2012.
4. In 2014, GPA will file a simplified base rate filing in accordance with the procedures set forth in Attachment 2 to the Stipulation, indicating revenue requirements, and any comparisons or changes with regard to revenue requirements and other requirements set forth at the time of the filing. The PUC would then adjust rates, if appropriate.
5. The base rate increase awarded in this proceeding also applies to lifeline rates; the threshold of a 20% increase in the cost of service since the Lifeline rate was last established has been met, permitting an increase in lifeline rates.
6. All of the determinations set forth above are approved; the parties are instructed to fully implement such determinations and rate relief in accordance with such determinations. The parties shall take all steps necessary to fully carry out and implement such determinations. They shall perform all acts necessary to implement the relief set forth in such determinations, and shall undertake all duties and obligations agreed to in the Stipulation and the Supplemental Stipulation.
7. Effective May 1, 2012, the civilian Working Capital Fund base rate surcharge will be increased to reflect the increase in the fuel portion of GPA's WCF requirement, in accordance with the Stipulation.

The increase occurring on May 1, 2012, will be amortized over a 12-month period rather than the remainder of the WCF amortization period.

8. Adjustments to charges for Residential Service (Schedule R) will be phased-in over a five-year period in accordance with the stipulated schedule. For residential service, the Customer Charge would increase gradually from \$10.00 in FY2012 to \$15.00 in FY2015.
9. Between FY2012 and 2016, the subsidy in the Lifeline Block will be progressively decreased until, in FY2016, the Lifeline Block would equal 80% of the "Tail Block Charge" (i.e. the charge for all kWh use in excess of 500 kWh per customer per month). These reductions in the subsidy and changes shall be implemented in accordance with the procedures agreed to by the parties in the stipulation.
10. In order to generate additional cash reserves for use by GPA, the PUC approves the removal of any restriction on the use of the "Funds Reserved for Bond Project Overruns" which the PUC ordered to be placed in a contingency fund in its August 30, 2010 Order in GPA Docket 10-01 (approximately \$3.1M).
11. The 12CP methodology shall continue to be used for cost allocation to the Navy and other customers. Pending the resolution of certain Load Data issues, the PUC shall utilize the allocation of the increase in GPA revenue requirement between the Navy and civilian customers to set and implement rates on an interim basis (Interim Rates) in Phase 1 of GPA Docket 11-09 as indicated in the Supplemental Stipulation.
12. The Parties will meet and confer regarding the Load Data Issue and propose to the PUC an adjustment to the Interim Rates as soon as practicable. GPA will provide all data reasonably requested by GCG and Navy related to the Load Data Issue.
13. Upon a resolution of the Load Data Issue, the presentation of proper evidence, and approval by the PUC, the Interim Rates shall be adjusted. The PUC shall, upon a "true-up" of any differences between the Interim

Rates and Final Rates approved by the PUC (for the period beginning the effective dates of Interim Rates established in GPA Docket 11-09 through to when the rates are made final) determine whether an appropriate credit or surcharge should be placed upon the customers' bill (over such period of time as is determined to be appropriate by the PUC).

14. As to the allocation of "Other Revenues" (disconnection fees, miscellaneous service charges, rent from electric property/pole attachments, late charges and others), GPA may continue to allocate such revenues to Navy in the rate base as set forth in the GPA TLCOS (Transmission Level Cost of Service) Study.
15. GPA shall continue to be authorized to treat Independent Power Producer debt service costs as production-related expenditures and demand costs in accordance with their treatment within the TLCOS.
16. The method of rate base allocation and cost of service used in GPA Docket 07-10, with an allocation to Navy of 17%, will be used in the allocation of the additional WCF surcharge in this proceeding which will go into effect on May 1, 2012.
17. The interpretation of the ALJ concerning the application of the 20% requirement regarding the General Lifeline Rate, which adopts the "ratchet" approach, is adopted and affirmed. There can be no increase in the general lifeline rates until the 20% requirement is met for each successive increase requested.
18. The proposed rate changes and increases set forth in the Stipulation are "just" and "reasonable" pursuant to 12 GCA §§12015 and 12017.
19. A Phase 11 of this proceeding is established to address the issues which the ALJ has deferred in this proceeding and other relevant issues. The ALJ is directed and authorized to undertake such further conferences or proceedings herein as are necessary to facilitate the resolution of pending or other relevant issues.
20. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and

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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 7<sup>th</sup> day of May, 2012.

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Jeffrey C. Johnson  
Chairman

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Joseph M. McDonald  
Commissioner

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Rowena E. Perez  
Commissioner

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Filomena M. Cantoria  
Commissioner

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Michael A. Pangelinan  
Commissioner