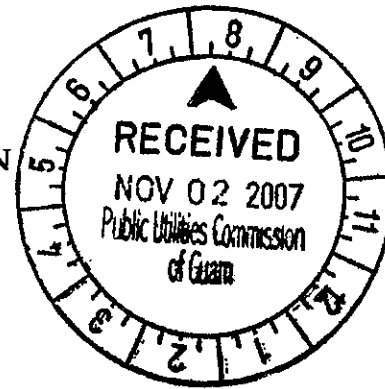


BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

GUAM POWER AUTHORITY  
REGULATORY REVIEW

DOCKET 02-4



ORDER

*[GPA line loss performance and monitoring]*

The Guam Public Utilities Commission [PUC] having considered the October 31, 2007 report of its administrative law judge [ALJ], including: a) the history of regulatory efforts to induce Guam Power Authority [GPA] to establish and implement a line loss reduction program; and b) the positions of GPA and Georgetown Consulting Group [GCG], which are attached to the ALJ report; pursuant to its authority under 12 GCA § 12001.2[d], for good cause shown and on motion duly made, seconded and adopted by the affirmative vote of the undersigned commissioners **HEREBY DETERMINES AND ORDERS THAT:**

1. The establishment of line loss and unaccounted for energy performance standards [*line loss standards*] will protect GPA ratepayers from LEAC rates containing fuel costs associated with imprudent line loss and unaccounted for energy levels [*line loss levels*].
2. A reasonable reduction of line loss levels is consistent with industry practices and is in the best interests of GPA and its ratepayers, as it would result in a reduction of fuel expenses.
3. In recent years, GPA line losses peaked at 10.2 percent, when measured as a percentage of net power production. Although GPA established a line loss program in 2004, its implementation has been obstructed by lack of funding. In its November 2006 report, *Projected Target for the Reduction of Unaccounted for Energy*, GPA identified an interim line loss goal of less than six percent by FY08.
4. At current fuel oil prices, each percent of line loss costs ratepayers an additional \$1.5 million per year in fuel expenses.
5. The following interim line loss standards are adopted by PUC, commencing with the February – July 2008 LEAC cycle, which shall remain in place through July 31, 2009 when long term standards will be established by PUC. These interim standards shall be calculated on a net power generation and on a 24 month trailing average basis:

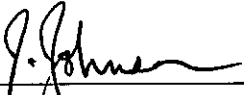
- Six month period ending July 2008 – 7.3 percent
  - Six month period ending January 2009 – 7.0 percent.
  - Six month period ending July 2009 – 6.7 percent.
6. The purpose of establishing interim standards is to enable GPA to complete previously identified line loss mitigation measures<sup>1</sup> and to conduct a study of its system characteristics prior to PUC establishing long term line loss standards for use in LEAC proceedings. GPA shall complete this study not later than October 31, 2008. Under ALJ's oversight, GPA and GCG shall file on or before January 15, 2009 positions regarding long-term line loss standards for use in LEAC proceedings commencing with the August 2009 – January 2010 LEAC cycle.
  7. In the event GPA does not meet the interim standards set forth in paragraph 5 above, PUC will examine as part of its LEAC review the specific circumstances surrounding GPA's failure to meet the standard and will determine what regulatory action would be appropriate, including the potential disallowance of associated fuel expenses.
  8. The disallowance of excess fuel costs under paragraph 7 above may have an impact on cash flow potentially resulting in GPA making detrimental adjustments to its operations. Operational adjustments, such as deferral of delivery system and plant maintenance, which adversely impact quality of service shall be subject to review by PUC in LEAC proceedings.
  9. GPA does not have adequate cash resources to implement its line loss mitigation program. In its testimony in Docket 07-10, GPA shall include in its revenue requirement adequate human and capital resources to fund the key line loss mitigation activities described in footnote 1 below during the next two fiscal years.
  10. As part of each semi-annual LEAC filing, commencing with the filing due December 12, 2007 for the LEAC period February through July 2008, GPA shall file a loss reduction compliance report. The report shall contain: a] relevant information concerning production, sales and losses and unaccounted for energy; b] line loss performance data in a manner that provides for each of the six months covered by the report the actual

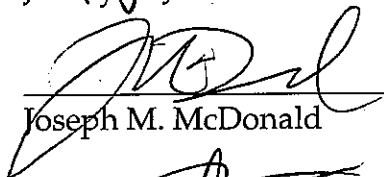
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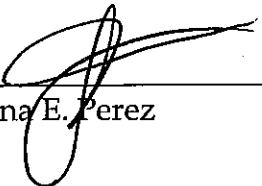
<sup>1</sup> GPA has identified the following key line loss mitigation activities: a] computer modeling for its delivery system network; b] simulation analysis and studies optimizing delivery system improvements; c] consulting assistance and temporary staff augmentation to conduct modeling, analysis and capital improvement studies; and d] capital delivery system improvements, such as capacitors, transformer replacements, circuit phase balancing and economic conductor sizing.

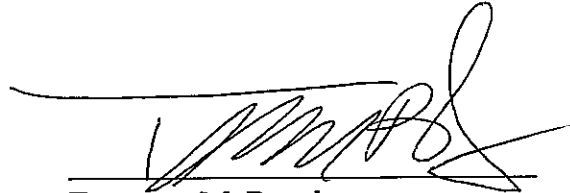
trailing 24 month average, the 12 month average and the current month line loss performance; c] a status update of its *Quality Management Plan for the Cost-Effective Reduction of Unaccounted for Energy*; d] a description of mitigation activities during the report period to comply with the performance standards; and e] whether adequate funding is available to enable it to comply with this Order. GPA shall post each report on its website within five business days after it is filed with PUC.

Dated this 2<sup>nd</sup> day of November 2007.

  
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Jeffrey C. Johnson

  
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Joseph M. McDonald

  
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Filomena M. Cantoria