

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

GUAM POWER AUTHORITY
REGULATORY REVIEW

DOCKET 02-4



ORDER

*[Shell fuel contract ratification, TCP interest, Regulatory asset,
CSA amendment, Macheche underground projects]*

The Guam Public Utilities Commission [PUC] having carefully reviewed and discussed the May 21, 2007 report of its administrative law judge [ALJ] regarding five Guam Power Authority [GPA] petitions for regulatory relief, for good cause shown and on motion duly made, seconded and carried by the affirmative vote of the undersigned commissioners **HEREBY ORDERS THAT:**

1. GPA's petition for ratification of its diesel fuel contract with Shell Guam, Inc. dated November 29, 2006 is approved, subject to the following conditions, which are contained in the May 24 2007 stipulation between GPA and Georgetown Consulting Group [GCG]:
 - a. The contract shall be amended, effective June 1, 2007, pursuant to section 4 of the stipulation. The form of the amendment shall be submitted for ALJ's review and approval.
 - b. GPA shall be permitted to recover through the LEAC \$0.065 per gallon for the premium for the Tenjo Vista plant. The balance of this premium shall not be recoverable through the LEAC; provided, however, that GPA may recover through the LEAC the full amount of the Tenjo premium until June 1, 2007.
 - c. The GPA contract review protocol is hereby amended in form attached to this order. In addition, GPA shall provide PUC with a determination pursuant to section 3102(c)(1) of Chapter 2, Division 4, Title 2 of the *Guam Administrative Rules and Regulations* in each event that it determines to award a contract after receiving only a single bid.
2. GPA's February 23, 2007 petition for authorization to recover \$1.61 million dollars in taxable commercial paper interest expense under the LEAC is denied.

3. The May~~24~~, 2007 stipulation between GPA and GCG, which proposes settlement terms for GPA's March 2, 2007 petition for a regulatory asset is approved. PUC hereby establishes a \$4.5 million dollar regulatory asset under Financial Accounting Standard 71 and authorizes GPA to recover the asset, subject to the terms of the stipulation, from the self-insurance fund established by PUC orders dated December 21, 1992 and March 3, 1995. The establishment of this regulatory asset is in full discharge of any and all uninsured GPA loss claims through August 2004. The restriction established by PUC's February 1, 2007 order on GPA accessing the self-insurance fund is rescinded.
4. GPA's April 5, 2007 petition for regulatory approval of amendment # 3 to the Customer Service agreement between GPA and the United States Navy is approved. GPA shall comply with the conditions set forth in GCG's September 10, 2002 report on the subject of this amendment.
5. GPA's September 14, 2006 petition for regulatory approval to convert the Macheche to San Vitores and Macheche to Guam Airport 34 kV transmission lines to underground facilities is approved. GPA is authorized to use up to \$4.12 million in excess bond funds to supplement FEMA funds for these projects.

Dated this 24th day of May 2007.


Terrence M. Brooks


Edward C. Crisostomo


Rowena E. Perez


Joseph M. McDonald


Filomena M. Cantoria


Jeffrey C. Johnson



BEFORE THE
PUBLIC UTILITIES COMMISSION OF GUAM

IN THE MATTER OF:)	DOCKET 02-04
)	
)	STIPULATION RE
THE PETITION OF THE GUAM POWER)	ESTABLISHMENT OF
AUTHORITY TO ESTABLISH A)	REGULATORY ASSET FOR
REGULATORY ASSET)	RECOVERY OF UNREIMBURSED
)	COSTS FROM PRIOR NATURAL
)	DISASTERS

GEORGETOWN CONSULTING GROUP, INC. (“GCG”), the independent rate consultant to the GUAM PUBLIC UTILITIES COMMISSION (“PUC”), and the GUAM POWER AUTHORITY (“GPA”), through their counsel of record, stipulate and agree as follows:

1. GPA filed a petition with the PUC to establish a regulatory asset under Financial Accounting Standard (“FAS”) 71 to allow GPA to recover from its self-insurance surcharge fund losses from natural disasters that have been determined to be ineligible by the Federal Emergency Management Authority (“FEMA”). FAS allows a regulatory body such as the PUC to establish a balance sheet account for cost items which the regulatory body will allow a utility to recover over time.

2. GPA initially sought a regulatory asset in the amount of \$13,724,243. The amount of the unreimbursed costs claimed by GPA was subsequently reduced to \$11,969,563. As the result of discovery and ongoing discussions between GCG and GPA, the amount of the unreimbursed costs claimed by GPA was further reduced to \$10,916,997.68, as set forth on the spreadsheet attached hereto as Attachment A.

3. GCG filed a report with the PUC recommending that the PUC defer consideration of GPA’s petition pending further investigation.

4. GCG and GPA have been unable to reach agreement as to which of the unreimbursed costs claimed by GPA should be recoverable from the self-insurance reserve fund. GCG has taken the position that GPA should not be allowed to recover costs in excess of the FEMA approved damage assessment until further review by the PUC. GPA maintains it should be allowed to recover costs disallowed by FEMA or not eligible for reimbursement under FEMA regulations or policies, as well as costs incurred from disasters for which no FEMA claim was made.

5. Notwithstanding GCG's and GPA's lack of agreement, following further discussion under the supervision of the PUC's Administrative Law Judge, GPA and GCG have reached agreement as set forth below.

6. GPA and GCG hereby agree and jointly recommend that the PUC take the following actions:

(a) The PUC should immediately rescind its February 2007 order prohibiting GPA from using any of the funds in GPA's self-insurance reserve fund.

(b) The PUC should establish a regulatory asset under FAS 71 in the amount of Four Million Five Hundred Thousand Dollars (\$4,500,000) for recovery of unreimbursed and uninsured costs and expenses claimed by GPA for all prior natural disasters listed or reflected on Attachment A, up to and including Typhoon Chaba. No additional recovery for such prior natural disasters should be allowed.

(c) The source of payment for the regulatory asset should be the self-insurance reserve fund. GPA should be allowed to withdraw funds from the self-insurance reserve provided, however, that the amount in the fund should not be drawn down for this purpose to less than \$2,000,000, as is the current protocol. The current protocol for implementing and suspending the insurance surcharge should remain in effect.

(d) GPA should be directed in its next base rate proceeding to include in its rate petition a proposal to increase the limit of the self-insurance reserve fund to reflect the greater exposure GPA now faces due to uninsured or uninsurable losses and changes in FEMA reimbursement policies.

(e) As part of its rate petition, GPA should be directed to propose detailed and specific guidelines for determining what types and categories of costs and expenses should be eligible for reimbursement from the self-insurance reserve fund. GPA's proposed guidelines will be subject to review and comment by GCG in the rate case and should be decided upon by the PUC in its rate order.

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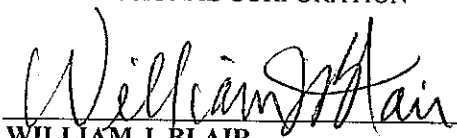
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(f) Pending approval by the PUC of specific guidelines governing reimbursement from the self-insurance reserve fund, GPA should be allowed to recover from the fund unreimbursed and uninsured costs for natural disasters subsequent to Typhoon Chaba, as well as any new events that may occur prior to the establishment of such guidelines. Any interim withdrawals from the fund for such events shall be subject to review and adjustment by the PUC in accordance with the approved guidelines.

**GEORGETOWN CONSULTING
GROUP, INC.**

By: **BLAIR STERLING JOHNSON
MARTINEZ & LEON GUERRERO**
A PROFESSIONAL CORPORATION

DATED: MAY 24, 2007

By: 
WILLIAM J. BLAIR
Attorneys for Georgetown Consulting Group, Inc.

GUAM POWER AUTHORITY

DATED: MAY 24, 2007

By: 
Name: **GRAHAM D. BOTHA**
Its: **STAFF ATTORNEY**

G56:62\24931-61
G:\WORDDOC\GCG\PLD\132-STIPULATION RE ESTABLISHMENT OF REGULATORY ASSET FOR
RECOVERY OF UNREIMBURSED COSTS FROM PRIOR NATURAL DISASTERS (DOCKET 02-04) (V2).DOC

GUAM POWER AUTHORITY
ANALYSIS OF TYPHOON CHARGES

Description	Chataaan		Chaba		Halong		Noekten		Tingling		Earthquake 2002		Earthquake 2001		Total	Pongsona	Grand
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount			
Labor	3,661,256.78		381,839.70		\$339,380.85		\$9,471.04		\$194,517.06		\$80,844.90		\$175,130.58		\$4,932,442.91	\$7,947,841.41	\$12,880,284.32
Materials	743,867.61		62,588.37		45,734.95		39,503.00		56,750.64		9,455.00		120,722.62		868,059.75	6,967,711.74	7,835,771.49
Vehicle Usage	4,889,386.00		18,713.00		2,472.00		39,142.50		42,954.56		21,676.36		46,828.14		5,189,436.41	10,204,560.69	15,393,997.10
Contracts/Purchases	4,983,365.65		45,523.64		23,804.60		1,922.49		42,954.56		21,676.36		46,828.14		694,767.71	2,509,754.42	3,104,522.13
Overhead/Other Journal entries	412,080.92														594,767.71	2,509,754.42	3,104,522.13
Total Charges	10,269,738.96		537,805.21		\$365,657.45		\$101,393.53		\$379,480.21		\$122,287.49		\$360,998.93		12,137,344.78	27,815,772.26	\$39,953,114.04

Less: Overhead Charges disallowed by FEMA
Overhead includes clearing accounts allocation such as store, garage, T&D Admin, Engineering Admin & A&G capitalized -> ?

Capitalized costs includes transformers purchased but were not installed
Excess Inventory Items that were directly charged to Typhoon Chataaan and subsequently reclassified to inventory

Total FEMA claim
Less: Disallowed costs
Ineligible costs on various PW FEMA Claim
Admin. Direct Labor Costs deemed ineligible by FEMA

Unaccounted for difference
Total FEMA Eligible Amount
Less: GPA Share

Total FEMA share
Amount Collected from FEMA
Receivable from FEMA
Total FEMA share
Difference

Regulatory Asset:

Other Events with no FEMA Claim
Total FEMA Claim
Less: FEMA Reimbursement
GPA Responsibility
Add: Overhead Charges disallowed by FEMA
T&D Admin, Engineering Admin & A&G capitalized
Less: Self Insurance Fund
Total Regulatory Asset

809,766.18																		
970,910.08																		
1,625,818.74																		
6,963,243.95																		
861,570.66																		
1,269,961.72																		
26,191.61																		
4,705,519.96																		
470,552.00																		
4,234,967.96																		
4,412,507.70																		
(177,539.74)																		
4,234,967.96																		
0.00																		
537,805.21																		
6,863,243.95																		
4,234,967.96																		
2,628,275.99																		
809,766.18																		
2,503,674.00																		
934,368.18																		
537,805.21																		
365,657.45																		
101,393.53																		
197,823.74																		
122,287.49																		
155,741.47																		
2,415,077.07																		
8,501,920.61																		
10,918,997.68																		