

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

**GUAM POWER AUTHORITY'S 2011
MULTI YEAR BASE RATE RELIEF
FILING: THE GPA RATE INCREASE
ROLLBACK PETITION**

GPA DOCKET 11-09

ORDER

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Guam Power Authority ["GPA"] Petition for Approval of GPA Rate Increase Rollback.¹

BACKGROUND

2. GPA recently completed its financing/restructuring of various prior bond issues. In the September 25, 2012 Order, the PUC approved the refinancing/restructuring plan and held that it would reduce GPA retail rates by the amount of reduction in debt servicing resulting from the bond transactions (i.e., somewhere on the order of \$9 Million).²
3. The actual first year savings from the bond restructuring/refinancing is estimated at \$11.5M. In the Petition GPA has proposed what it deems to be "the best method" for implementing a rate rollback. It is requesting that the PUC rollback the rate increase of \$9.1M which was effective May 1, 2012.³
4. GPA proposes to use the allocation method adopted by the PUC for the Working Capital Fund Surcharge in determining the amount of the Rate Rollback Credit.⁴ The Rollback Credit (RBC) would be effective for meters read from December 1, 2012 through September 30, 2013.⁵
5. The Rollback Credit for civilian customers for the 10 month period will be \$0.00618 per kWh (including credit for Navy Underpayment). The Rollback Credit for the Navy for the 10 month period will decrease its monthly payment to \$105,639.00.⁶

¹ GPA Petition for the Approval of the Rate Increase Rollback, GPA Docket 11-09, filed November 19, 2012.

² PUC Order, GPA Docket 12-03, Par. 9, issued September 25, 2012.

³ GPA Petition for the Approval of the Rate Increase Rollback, GPA Docket 11-09, filed November 19, 2012, at p. 2.

⁴ Id.

⁵ Direct testimony of Randall V. Wiegand, GPA Docket 11-09, filed November 19, 2012, at pgs. 4, and Exhibit RVW 4, Appendix E: Top Level Rate Impact, the Direct Testimony of Randall V. Wiegand.

⁶ Id., Exhibit RVW 4, Appendix E.

6. With its Petition, GPA has also submitted Amended Rate Tariffs which implement the rate rollback to the civilian and Navy customers.
7. In this Docket, GPA and Navy stipulated to a cost of service adjustment for Navy in the approximate amount of \$380,000 (amounts underpaid by Navy due to errors in GPA's Cost of Service study). GPA has proposed a credit of the civilian rate schedules for the amount underpaid by the Navy. This credit will also be included in the rollback of the FY2011 rate increase.⁷
8. On December 5, 2012, Shaw Consultants International Inc., Consultant to the PUC, filed its Report in this Docket.⁸
9. Shaw indicates a number of possible options for the PUC and recognizes that the Commission could allow some flexibility with respect to its prior Order⁹ :
"Consultants understand that GPA has financial issues and believes that it may be appropriate for GPA to retain some of its first year savings".¹⁰
10. One possible option proposed by Shaw is that the rollback period could be extended from 10 to 12 months to recover the full \$9.1M rate increase.¹¹
11. Shaw concurs with the proposed roll-back mechanism suggested by GPA. GPA's calculations of the credit are appropriate.¹²

DETERMINATIONS

12. The PUC September Order required GPA to return "savings" from its bond restructuring/refinancing to customers. GPA's proposal instead rolls back the rate increase that was effective May 1, 2012. PUC finds that GPA's proposal of rolling back the rate increase is a reasonable method of returning benefits to its customers from the bond restructuring/refinancing.

⁷ DIRECT TESTIMONY OF Randall V. Wiegand, GPA Docket 11-09, at pgs. 11-12.

⁸ Shaw Consultants International Inc., GPA Docket 11-09, Review and Evaluation of GPA's Petition to Roll-Back Savings to Customers from its Recent Refinancing, filed December 5, 2012.

⁹ Id. at p. 3.

¹⁰ Id.

¹¹ Id.

¹² Id. at p. 4.

13. PUC Consultant Shaw concurs that it is reasonable for PUC to give GPA some flexibility due to financial considerations and to allow it to retain a portion of the savings.
14. For a number of reasons, GPA's proposal is justified; GPA will be filing a new rate case in 2013, and new rates should be in effect by October 1, 2013. The savings from the restructuring/refinancing will reduce the revenue requirements for the FY2014 rate case and in subsequent years.
15. GPA has experienced some decrease in revenues in recent years, and its debt service coverage ratio should be strengthened. It is prudent to give GPA some flexibility in the procedural mechanism by which it implements its rate rollback to customers.
16. In its Report, Shaw indicated that the rollback could be extended for a full 12 months to recover the \$9.1M rate increase. At the present time PUC should authorize GPA to implement the rate rollback for the 10 month period requested. However, in the context of the FY 2014 Rate Proceedings, the PUC retains the option to consider whether GPA should be required to extend the rollback for an additional two month period. This issue will be further examined in the context of such Rate Proceedings.

ORDERING PROVISIONS

After careful review and consideration of the above determinations, the Petition of GPA, the Report of Shaw Consultants International Inc., and the record herein, for good cause shown, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's Petition for Approval of the Rate Increase Rollback is approved.
2. GPA is authorized to implement the Rollback credits [RBC] set forth in Exhibit RVW-4, Appendix E, effective December 1, 2012 through September 2013.
3. The Amended Tariff Rate Schedules attached to GPA's Petition are approved and shall be effective December 1, 2012. GPA shall file such Schedules with the PUC.
4. The method proposed by GPA for recovering the Navy underpayment resulting from cost of service issues, as set forth in Exhibit RVW-4, Appendix E, is also approved.

5. PUC retains jurisdiction to further consider issues related to the RBC in the context of the 2014 Rate Proceedings.
6. 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 11th day of December, 2012.

Jeffrey C. Johnson
Chairman

Joseph M. McDonald
Commissioner

Rowena E. Perez
Commissioner

Filomena M. Cantoria
Commissioner

Michael A. Pangelinan
Commissioner

Peter Montinola
Commissioner