



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 13-08
)
The Application of the Guam Power Authority for a Rate Design Alternative.) PUC COUNSEL REPORT
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INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Application of the Guam Power Authority ["GPA"] for a Rate Design Alternative.¹
2. GPA filed its "Supplemental Filing" for Rate Design Alternative on June 30, 2014.²
3. In its filings, GPA has used the term "Rate Design Alternative" rather than "Revenue Decoupling." GPA prefers to use "Rate Design Alternative" due to negative connotations that have arisen concerning revenue decoupling in some jurisdictions.

BACKGROUND

4. In prior base rate dockets, GPA and PUC have agreed to work cooperatively to "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."³
5. In its FY2014 Base Rate Filing, GPA included a study on "Revenue Decoupling and Other Innovative Utility Ratemaking Approaches", which was submitted to the PUC as part of the rate case testimony of Joseph Trainor, a witness in support of GPA's rate filing.⁴

¹ GPA Application for Rate Design Alternative, GPA Docket 13-08, filed June 19, 2014.

² GPA Supplemental Filing for Rate Design Alternative, GPA Docket 13-08, filed June 30, 2014.

³ FY12 RATE DECISION [GPA's 2011 Multi-Year Base Rate Filing, GPA Docket 11-09, par. 32 at p. 6, dated May 7, 2012.]

⁴ GPA's FY2014 Base Rate Filing, GPA Docket 11-09, filed April 24, 2013 [Exhibit JTT-7].

6. In the FY2014 GPA Base Rate Case, consideration of the Revenue Decoupling issue was deferred; the ALJ ruled that it would not be considered as part of the FY2014 Base Rate Proceedings, but would be considered later in a separate docket.⁵
7. PUC also created a separate docket for “Revenue Decoupling”, GPA Docket 13-08.
8. In Resolution No. 2014-23, the Guam Consolidated Commission on Utilities authorized the GPA General Manager to petition the PUC for a rate design alternative solution to the declining sales of the Authority.⁶
9. GPA indicates that, for two out of the last three years, GPA has experienced sales losses of greater than 3% per year; GPA believes that these sales declines are resulting from conservation and energy efficiency initiatives undertaken by GPA customers.⁷
10. GPA further believes that it may continue to experience losses due to a law which lifted the net-metering cap for the Department of Education, and from proposed legislation which would raise the net-metering cap for other customer classes.⁸
11. GPA states that the issue of rate design alternative/revenue decoupling should more appropriately be addressed in collaboration with the PUC in a separate docket and not in the context of a base rate case. A base rate case is not the appropriate setting for consideration of such issue, as it involves tight deadlines, the adversarial approach, and emotionally charged settings.⁹ GPA requests that the PUC determine, “after cost cutting measures are undertaken by GPA, if there are any other methods that would better address the problems faced by the Authority.”¹⁰
12. GPA indicates that “any change adopted by the GPUC would be done on a revenue neutral basis, which means that GPA would not increase the amount of revenues it collects from customers – only change the structures in which those revenues are collected...”¹¹

⁵ FY13 RATE DECISION, GPA Docket 11-09, dated September 24, 2013, at par. 13, p. 3.

⁶ Guam Consolidated Commission on Utilities Resolution No. 2014-23, issued July 3, 2014.

⁷ Id. at p. 1.

⁸ Id. at p. 1-2.

⁹ Id. at p. 2.

¹⁰ Id.

¹¹ Id.

13. The main problem that GPA seeks to remedy with this proposed approach is the “mismatch between the rate structure through which GPA revenues are collected and the nature of the costs they are intended to cover.” At present GPA indicates that 13% of its revenue are fixed, whereas 87% are variable; however, 11% of GPA’s costs are variable, whereas 89% of its costs are fixed.¹²

ANALYSIS

14. In its FY2013 and 2014 Rate Decisions, PUC already approved the consideration of Revenue Decoupling as an appropriate matter of inquiry for a separate docket [outside of the rate case]. Furthermore, in setting up a separate docket for Revenue Decoupling, GPA Docket 13-08, the PUC has recognized that the issue of a rate design alternative/revenue decoupling is an appropriate topic for consideration by the PUC.
15. GPA has raised legitimate concerns which should be further addressed by the PUC in the context of a dedicated docket on rate design alternative/revenue decoupling. Putting such consideration in a separate docket will relieve some of the time constraints that prevented a more detailed consideration of such issues in base rate proceedings.
16. The problem of declining sales experienced by GPA is a matter of concern. PUC has the obligation under 12 GCA §12004 to ensure that GPA’s rates are sufficient to fund its costs of service.
17. Recently, in GPA Docket 13-14, the PUC ordered that GPA undertake the implementation of a demand side management program.¹³ Such programs are designed to encourage energy conservation by customers and reductions in fuel use. However, it is recognized that such programs could result in further loss of sales by GPA. Thus, revenue decoupling should also be considered by the PUC in conjunction with the implementation of a DSM program.
18. The PUC should conduct further proceedings wherein GPA may present rate design alternatives for the consideration of the PUC. These proceedings could be conducted under the guidance of the Administrative Law Judge.
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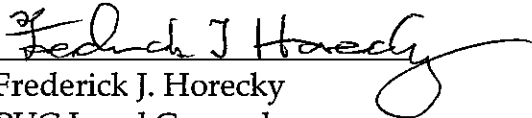
¹² GPA Supplemental Filing for Rate Design Alternative, GPA Docket 13-08, [Letter from GPA GM Joaquin Flores to Frederick J. Horecky, ALJ, dated June 27, 2014] pgs. 3-4.

¹³ GPA Order, GPA Docket 13-14, dated July 31, 2014.

RECOMMENDATION

19. Counsel recommends that the PUC approve GPA's Application to present Rate Design Alternative(s)/Revenue Decoupling proposals to the PUC for its review and consideration.
20. PUC should authorize the Administrative Law Judge to conduct such further proceedings as are necessary for review and consideration of rate design alternatives.
21. The ALJ should schedule such further proceedings as are necessary for the consideration and review of rate design alternatives.
22. The impetus, or burden, for developing such rate design/revenue decoupling proposals should be upon the Guam Power Authority, which is the moving party in this matter. GPA has the burden of proof. GPA and its Consultants should develop specific plans/programs for proposed adoption by the PUC. PUC would have its consultants review any proposal submitted by GPA.
23. Any rate design alternatives/revenue decoupling proposals reviewed and recommended by the ALJ shall be subject to the final approval of the PUC.
24. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 25th day of August, 2014.


Frederick J. Horecky
PUC Legal Counsel