

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 13-14
)
The Application of the Guam Power)
Authority for Authorization to Execute) **PUC COUNSEL REPORT**
DSM and EE Report Task Order.)
)
_____)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Petition of Guam Power Authority [“GPA”] for PUC Approval of the Demand Side Management [DSM] and Energy Efficiency [EE] Report Task Order under the existing Contract with Leidos Engineering, LLC. GPA intends to use 2014 Bond Funds to pay for the Task Order.¹
2. GPA seeks approval for the use of 2014 Bond Funds [“LNG Initial Start Up”] for the payment of \$430,000 to Leidos Engineering, LLC under the existing Contract for the DSM and EE Report Task Order.²

BACKGROUND

3. On July 31, 2014, the PUC issued an Order directing GPA to submit a Demand-Side Management and Energy Efficiency Implementation Plan, including steps, timeline, and milestones required for screening and implementation, as well as an implementation plan for an initial set of measures, no later than 120 days after the date of the Order.³
4. On December 19, 2014, GPA filed its Initial Implementation Plan. This plan included: (1) Steps, a timeline, and milestones required for DSM and EE screening and implementation, (2) An implementation plan for an initial set of measures to begin no later than one year from the July 31, 2014 PUC Order.⁴
5. In the Order, PUC indicated a belief that GPA might be able to fund continued Leidos efforts in GPA’s current budget. PUC supported recovery of reasonable costs to complete the plan. Longer term cost recovery issues, including incentives,

¹ GPA Petition for Authorization to Execute DSM and EE Report Task Order, GPA Docket 13-14, filed April 6, 2015.

² Id. at p. 2.

³ PUC Order, GPA Docket 13-14, dated July 31, 2014.

⁴ PUC Order, GPA Docket 13-14, dated February 26, 2015.

program costs, penalties, and lost revenues, would continue to be considered in this Docket between GPA, PUC, Lummus Consultants, and the Administrative Law Judge.⁵

6. GPA is now required to complete its DSM and EE Report by August 25, 2015 and to implement DSM and EE programs (Central AC, Ductless AC, Washer and Dryer) preferably by July 13, 2015.⁶
7. The Guam Consolidated Commission on Utilities has authorized GPA to request approval of the use of 2014 Bond Funds for funding the DSM and EE Report Task Order and for subsequent reimbursement of those funds through LEAC.⁷

ANALYSIS

8. Previously the PUC authorized expenditures of up to a total of \$2,598,850.00 for Leidos Engineering LLC and its predecessors (R.W. Beck/SAIC) under the Engineering Planning Services Contract.⁸ Services were to be performed under the Contract over a period of five years.
9. Total expended amounts to date under the PUC authorization are \$1,555,867.59, leaving an approximate approved additional amount for expenditure of \$1M.⁹
10. However, in its authorization, the PUC did not identify specific funding sources for GPA's projects under the Engineering Planning Services Contract. Identifying funding sources was the responsibility of GPA. Ms. Jennifer Sablan, Special Projects Engineer of SPORD, GPA, indicates that some of these projects, including

⁵ Id.

⁶ Id.; see also Guam Consolidated Commission on Utilities Resolution No.2015-18, Authorizing Management of Guam Power Authority to Contract Leidos for \$430,000 to Complete the GPUC Mandated DSM and EE Report by August 25, 2015, adopted March 24, 2015.

⁷ Id.; see also Guam Consolidated Commission on Utilities Resolution No.2015-18, Authorizing Management of Guam Power Authority to Contract Leidos for \$430,000 to Complete the GPUC Mandated DSM and EE Report by August 25, 2015, adopted March 24, 2015.

⁸ Email Submission by Jennifer G. Sablan, SP Engineer, SPORD, GPA, dated April 27, 2015, including a Summary of Purchase Orders and Summary of Contract Tasks and Expenses to date. These Summaries indicate a total PUC Authorized Limit under the Leidos Engineering Planning Services Contract of \$2,598,850.00.

⁹ Id.

Smart Grid, have been funded through Bond and Grant Funds; others have been funded through GPA Internal Revenue Funds.

11. With regard to the specific amount of \$430,000 now requested for Leidos Engineering for the DSM and EE Report Task Order, Ms. Sablan indicates that there are no funds identified for this purpose in the current year budget or other available funds which have been specifically appropriated for this purpose.
12. Since the PUC has requested that GPA implement the DSM and EE program, the PUC must work cooperatively with GPA to find appropriate funding sources for implementation of the program.
13. In the 2014 GPA Bond Issuance, there were funds allocated for "LNG Initial Start Up" in the amount \$3M. From the LNG Initial Start Up funds, PUC has previously approved expenditures for integrated resource planning and other matters that could eventually lead to development of an LNG program. In GPA Docket 14-09, the PUC approved the expenditure of \$270,000 from the \$3M. This expenditure was for the GENOPS & @RISK Software.¹⁰
14. The justification for approval of the software expenditure under the LNG Initial Start Up budget is that such software will be helpful to assist GPA in generation, fuel planning, and economic dispatching. Such expenditure will be useful as GPA continues to develop its plans for future generation. Those plans include an examination of the future feasibility of an LNG infrastructure.
15. In this Docket, the same rationale justifies authorizing the expenditure of \$430,000 for Leidos Engineering from the LNG Initial Start Up budget. The DSM program is designed to reduce customer energy demand. The DSM program will influence decisions about what type of generation facilities and fuel sources is most appropriate for future development.
16. Therefore, Counsel recommends that the PUC authorize GPA to expend \$430,000.00 from the LNG Initial Start Up Bond funds for the DSM Task Order to Leidos.

¹⁰ PUC Order, GPA Docket 14-09, dated December 1, 2014 at p. 2.

17. However, GPA has further requested that the funds for the DSM and EE Task Order for Leidos be "Reimbursed" out of LEAC (Levelized Energy Adjustment Clause).¹¹
18. The PUC has previously held that it is not appropriate to use LEAC for the purpose of funding consulting contracts of GPA or, as a general principle, to use LEAC for Non-Fuel related purposes. The primary purpose of LEAC is to permit GPA to recover all prudently incurred fuel costs through a fuel adjustment clause mechanism.¹²
19. In GPA Docket 14-02, the PUC determined that it was not appropriate to fund consulting fees for the Program Management Office from LEAC. The same reasoning applies to GPA's instant request. LEAC should not be used as a vehicle to fund GPA consulting fees.
20. GPA, the PUC Consultants, and the Administrative Law Judge should continue to work together to develop an appropriate funding source for the DSM Program. A more long term funding solution should be developed, as the parties all appear to agree that a DSM Program will provide substantial benefits to the ratepayers.
21. Other jurisdictions, such as Hawaii, have funded DSM programs through ratepayer surcharges. This is an approach that the PUC should also consider.

RECOMMENDATIONS

22. Counsel recommends that the PUC approve GPA's Request to expend \$430,000.00 from the LNG Initial Start Up Bond funds for the DSM Task Order to Leidos Engineering LLC.
23. GPA's request to reimburse the Bond Funds from LEAC should be denied.

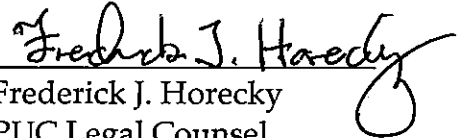
¹¹ Guam Consolidated Commission on Utilities, Resolution No.2015-18, issued March 24, 2015, at p. 3.

¹² PUC Order, GPA Docket 14-02, dated December 30, 2013, at p. 6.

PUC Counsel Report
Authorization for Bond Fund
Expenditure to pay Leidos for
DSM and EE Report Task Order
GPA Docket 13-14
April 28, 2015

24. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 28th day of April, 2015.


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PUC Legal Counsel