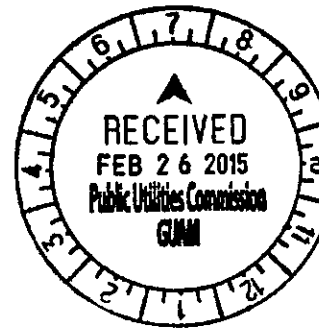


GUAM PUBLIC UTILITIES COMMISSION  
REGULAR MEETING  
JANUARY 29, 2015  
SUITE 202, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:49 p.m. on January 29, 2015, pursuant to due and lawful notice. Commissioners Johnson, Perez, Pangelinan, Montinola, Cantoria, and Niven were in attendance. The following matters were considered at the meeting under the agenda made *Attachment "A"* hereto.

**1. Approval of Minutes**

The Chairman announced that the first item of business on the agenda was approval of the minutes of December 29, 2014. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the minutes subject to correction.

**2. Pacific Data Systems, Inc.**

The Chairman announced that the next item of business was PDS Docket 14-02, Dark Fiber Field Surveys, Stipulation of the Parties, and Proposed Order. Counsel indicated that this dispute between Pacific Data Systems, Inc. and GTA Teleguam Holdings involved the right of PDS to secure Dark Fiber Surveys of the GTA facilities. After a hearing, the Administrative Law Judge had held that PDS was entitled to the survey maps of GTA. The Commission ordered that GTA pay the costs of the proceeding. The only remaining issue was attorneys' fees between GTA and PDS. The Parties have now resolved all remaining issues in the Docket. GTA has agreed to the right of PDS to the fiber survey maps. The attorney fee issue has been resolved. The proposed Order approves the Stipulation of the Parties, and orders the parties to comply with their duties under the Stipulation. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Stipulation of the Parties and adopted the Order made *Attachment "B"* hereto.

**3. Guam Power Authority**

The Chairman indicated that the next item on the agenda was GPA Docket 14-01, GWA's Petition for Delay Expense for Customer Information System Consulting Agreement with Wi-Pro Technologies, PUC Counsel Report, and Proposed Order. Counsel indicated that GWA's customer care & billing software program was before the Commission at its last meeting. In its prior Petition in October, GWA did not include the amount of \$155,000 for expense resulting from Change Order No. 4. The Commission had approved the Change Order at the last meeting. The Change Order resulted from Wi-Pro's having to extend the Go Live date for the software from November of last year to about January 25 of this year.

At the last meeting, the Commission approved the amount for the Change Order for GPA in the amount of \$370,000. The Consolidated Commission on Utilities did not approve the Change Order for GWA in the amount of \$155,000 until its November 25, 2014 meeting, only a few days before the Commission meeting on December 1, 2014. PUC had no opportunity to approve the GWA expense for the Change Order since no request was made to PUC at the December 1, 2014, meeting. GWA is now asking for PUC approval for the expense of \$155,000 for the extension of the Go Live date with Wi-Pro. Should the Commission approve said amount, the total authorized expenditure for GWA for the customer care & billing software would be \$1,166,765.00.

Commissioner Montinola asked Counsel if this amount was just for two months. Counsel indicated that it was. The Change Order extended the time during which Wi-Pro has to provide services. Commissioner Perez asked whether this amount was in addition to the \$370,000. Counsel indicated that it was. Commissioner Perez then asked when the Go Live date was. Counsel indicated he believed it was January 25, 2015. Commissioner Perez asked whether the system was up. The Assistant Chief Financial Officer of GPA, Cora Montellano, indicated that CC&B system would be up on March 9, 2015. General Manager Benavente stated that this was a new change. Commissioner Montinola asked Mr. Benavente whether there would be a further cost extension. Mr. Benavente indicated that Wi-Pro was testing the system to make sure that it does what it is supposed to do. They are training GPA employees in understanding and being comfortable with the system. Due to the moving activities of GPA, there will be another delay, until the first week of March, 2015. Commissioner Montinola asked what the additional cost would be beyond the \$155K. Mr. Benavente stated that it is approximately \$264,000 total additional for both power and water utilities.

Commissioner Pangelinan asked about the Consolidated Commission resolution on the \$155,000. Was it distributed to the Commissioners? Apparently the Commissioners did not have a copy of the November 25, 2014 CCU Resolution that included the \$155,000. Counsel indicated that there was a CCU Resolution on November 25 approving the \$155,000 and that he had reviewed it. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the additional expense of GWA in the amount of \$155,000 for the extension of the Go Live Date of the CC&B software, and adopted the Order made *Attachment "C"* hereto.

The Chairman announced that the next item on the agenda was GPA Docket 15-08, LEAC Filing, Slater-Nakamura Report, and Proposed Order. Counsel indicated that this filing was a part of the twice a year process whereby the Commission sets the Levelized Energy Adjustment Clause factor. In its original Petition, GPA sought to reduce the LEAC from the current factor, \$0.14666 per kilowatt hour, down to roughly 12 cents a kilowatt hour. That would be a reduction of 10% on the total bill. Thereafter, PUC Consultant Slater-Nakamura performed its analysis and issued a report.

During this time period there has been a substantial worldwide decrease in fuel prices. Slater-Nakamura pointed out that, even after GPA filed its Petition, the fuel prices

continue to drop roughly \$13.00 to \$16.00 per barrel for both high and low sulfur RFO. Slater made a few changes in the GPA report concerning sales forecast; it then recommended that the LEAC factor, because of the substantial drop in fuel price, could be reduced all the way to \$0.096 per kilowatt hour. That would represent roughly a 20% decrease in the total bill of the average customer utilizing 1000 kilowatts per month, and a drop of almost \$50.00 a month in the total bill.

However, GPA was concerned that if the LEAC factor was dropped too much, and the fuel prices then rise, PUC would have to increase the factor up again. The situation has previously existed a few times where the LEAC is adjusted when the fuel prices go way down, only to be followed by a sharp increase. Therefore, the thinking between GPA and the PUC Consultant was to attempt to prevent this type of spike and also to avoid placing GPA in a situation where it doesn't have enough money for its fuel. Caution should be exercised.

Based upon further discussion between GPA and the Consultants, it was determined, and GPA agreed, to accept the LEAC factor of \$0.102 per kilowatt hour. If the Commission accepts this LEAC factor, it would still result in an 18.2% drop in the total bill and close to \$45.00 per month off the total bill for the average customer. The proposed Order would reflect these changes and establish the LEAC factor on meters read on and after February 1, 2015, at \$0.102 per kWh. The Order would also set the primary and transmission line factors. The current working capital surcharge for civilians and Navy would remain the same, and GPA would be ordered to file for the next LEAC change on or before June 15, 2015.

The Chairman asked GPA if it was comfortable with the \$0.102 on secondary customers at this stage where we have been trending and where we might head in the future over the next six months. General Manager Benavente indicated that he hopes fuel will continue to drop. However, looking at the history of fuel in the 2005-2008 period oil was around \$40.00 a barrel. We don't want to recover too much if oil substantially drops again, and we still have to true it up. After further discussion, the Chairman asked whether any members of the public had any comments or questions concerning the LEAC. None was indicated.

Commissioner Niven asked Counsel if, compared to the original report of Slater, the PUC was in effect deferring some of the closing balance amount for later recovery. He wanted to make sure that that was within the PUC internal LEAC rules so that it is following its own processes. CFO Montellano of GPA indicated that the amount was \$3.1M. GPA is tracking fuel prices daily and on a monthly basis will be tracking whether there is an under or over recovery of \$2M. If there appears to be an over recovery of \$2M during the next few months, GPA will file for an additional adjustment. Commissioner Perez asked whether GPA was monitoring the fuel cost every day. Ms. Montellano indicated that it was, and it obtained a daily forecast so that GPA would know where the fuel prices were. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the LEAC factor at \$0.102 for residential customers and adopted the Order made *Attachment "D"* hereto.

The Chairman announced that the next item on the agenda was GPA Docket 15-05, Petition for Approval of Procurement of New Generation Combined Cycle Units and to proceed with the Implementation of the Integrated Resource Plan, Lummus Report, and Proposed Order. Counsel indicated that GPA was seeking approval for 120 megawatts of new generation capacity. The Commissioners have already been presented with a substantial amount of information concerning this request, along with the Lummus Report. A report on the rate impact has also been submitted by Slater-Nakamura. The Slater Report indicates that two generators of 60 megawatts each would end up costing approximately \$450M. An additional 60 megawatt generator, or a total of 180 megawatts requested by GPA, would cost close to \$600M. Bond issuances for these generators would involve capitalized interest charges and all the additional charges that go with bond issuance. It behooves the Commission to make sure that it fully understands the ramifications of this proposal before approving it.

Lummus' basic position is that, at present, GPA has not provided sufficient information to justify this new generation capacity. A major question is whether there are less costly alternatives. GPA proposes to retire Cabras 1&2, but no justification for such retirement has been presented. Lummus believes that there are less costly ways that GPA can comply with the US EPA requirements, other than building new plants; for example, to put precipitators on Cabras 1&2. There are indications that this could be done for \$17M per plant. There may also be other fuel strategies, including blended fuels, which could enable Cabras 1&2 to meet the requirements of the US EPA.

Normally a utility asks for additional generation capacity when there is new demand or a need for additional capacity: for example, when the number of customers is going up or the demand for power is increasing. However, none of these situations exist with regard to GPA at present. In fact, demand is apparently going down. The only rationale that GPA gives for the new generation is to meet the environmental requirements of the US EPA. Before the Commission should approve that, it needs to make sure that all of the less costly alternatives are fully vetted. Lummus has not received detailed responses from GPA on these less costly alternatives. The Commission needs to know what is the "least cost compliance."

Also, GPA's plan for new generation only focuses on the "supply" side. Lummus believes that GPA must consider other options, such as more renewables, improving system reliability, and demand side management programs to reduce customer demand. GPA must make efforts to reduce demand rather than only relying upon proposals to increase generation supply.

Lummus has also raised a number of questions concerning the financial model that GPA is using; the model needs renovations and revisions. The Slater Report indicates that the entire generation plan of GPA, including LNG, could either result in rate increases or decreases; it is really unclear at present exactly what the rate impact will be. This uncertainty about rate impact may well be another reason for the Commission to decline to approve the GPA petition at the present time.

The proposed Order would, at least for the time being, deny the petition for new generation capacity. It would put in place a procedure under the auspices of the Administrative Law Judge to gather the necessary information and to further work on an overall plan that would lead to the best solution for the future. GPA must clearly show that there are no less costly alternatives than spending over \$600M.

General Manager Benavente then spoke on behalf of GPA. He indicated that GPA, Lummus and the ALJ did need to work together to look at the different scenarios involving new generation. GPA believes it has looked at the best least cost net present value scenarios for the next 25-30 years. GPA has only been able, in the last two week period, to provide these different scenarios; it really is not adequate time for everyone to absorb these from the Lummus side. GPA will explore these further in a conference call with Lummus tomorrow morning. GPA needs to communicate better that the combined cycles really work better with renewables. The Cabras 1&2 plants have served the island well; but you cannot run them continuously. A 60 megawatt machine can only be brought down to 30 megawatts. New generation including dispatch of units also needs to be considered. The old plants really can't run with renewables in the future. The thermal efficiency of the old plants is only 34% versus what we are looking for at a new plant, about 20%. For the slow speed plants, the only solution is to go for diesel fuel.

The lowest efficiency running the lowest cost fuel is not the best present value solution. This is an ideal time for GPA to construct new power plants – the interest rates could be below 4%. GPA believes that it will obtain better pricing for the construction of new power plants. The Chairman asked Mr. Benavente whether GPA was delivering its answer to the US EPA concerning compliance. Mr. Benavente indicated that was correct. GPA indicated to US EPA that it could change the slow speed diesels to burn diesel fuel in about two years. GPA is looking at a period of about four and a half years for compliance with the new US EPA requirements. Commissioner Perez indicated that she appreciated the recommendations made by PUC Consultants and the fact that GPA was willing to sit down at the table to work out the best case scenario for the island and our people. Upon motion duly made, seconded and unanimously carried, the Commissioners denied GPA's proposal to construct new combined cycle plants and adopted the Order made *Attachment "E"* hereto.

#### **4. Administrative Matters**

Counsel reported certain informational filings: the FY2014 PUC Annual Report and the Special Report of the Receiver GBB, Civil Case No. 00022. As for the Annual Report, Commissioner Niven suggested that the format for the Citizen Centric Report perhaps could also be used for the annual report. Counsel also raised the additional need for the Commission to file testimony with the Guam Legislature, signed by the Chairman, without a full opportunity for review by the Commissioners. Commissioner Pangelinan suggested that the proposed testimony be emailed to all of the Commissioners in advance. If any Commissioner disagrees, he/she can make such position known.

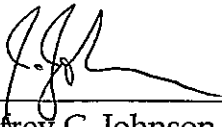
On the Ideal Advertising Hosting and Website Maintenance Proposal, Counsel indicated that, at present, the PUC Administrator Ms. Palomo was making most of the document entries into the website. Previously Ideal Advertising, the PUC hosting and website consultant, had been making those entries and maintaining the Dockets. Due to the fact that PUC is now entering its own documents and Dockets, Ideal has agreed to reduce its monthly charge from \$595 down to \$295. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the proposal of Ideal Advertising to reduce its webhosting/maintenance charges to PUC from \$595 per month to \$295 per month.

On the Special Report of the Receiver GBB, the receiver has taken the position in District Court that PUC and the government have the authority to increase rates. Counsel indicated, however, that since Solid Waste is under a court receivership, the PUC should be cautious to act unless there is a party that comes before the PUC with an actual interest in increasing the rates, and such party proves the need to increase such rates by a preponderance of the evidence. Counsel was merely notifying the Commission of this potential dispute with the Court Receiver GBB. Counsel discussed the fact that, at present, the government was required to pay approximately \$7M per year from the Section 30 funds for solid waste bonds, which amounts were not reimbursed to the Solid Waste tipping fees.

The PUC Administrator reported on efforts to obtain iPads for the PUC Commissioners. She is working with Secretary Lou Sablan of the CCU to see whether PUC could possibly link into GPA's workbook system.

The Chairman indicated that the final matter on the agenda was the adoption of Resolution 15-01, Extension of Professional Services Agreement for Water and Power Consultant for FY2015-2016. This relates to the contract of Lummus Consultants. The Resolution would extend the Lummus contract for another year. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the extension of the contract of Lummus Consultants for water and power consulting services for FY2015-2016.

There being no further business, the Commissioners moved to adjourn the meeting.

  
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Jeffrey C. Johnson  
Chairman

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION  
REGULAR MEETING  
SUITE 202, GCIC BUILDING  
414 W. SOLEDAD AVE. HAGATNA, GUAM  
6:30 p.m., January 29, 2015**

**Agenda**

1. **Approval of Minutes of December 29, 2014**
2. **Guam Power Authority**
  - **GPA Docket 15-05, Petition for Approval of Procurement of New Generation Combined Cycle Units and to Proceed with Implementation of the Integrated Resource Plan (IRP), Lummus Report, and Proposed Order**
  - **GPA Docket 15-08, LEAC Filing, Slater Nakamura Report, and Proposed Order**
  - **GPA Docket 14-01, GWA Petition for Delay Expense for Customer Information System Consulting Agreement with Wi-Pro Technologies, PUC Counsel Report, and Proposed Order**
3. **Administrative Matters**
  - **Informational Filings  
FY2014 Annual Report  
Special Report of the Receiver GBB, Civil Case No. 00022,  
District Court of Guam**
  - **Ideal Advertising Hosting and Website Maintenance Proposal**
  - **PUC Administrator Report on Ipads**
  - **Adoption of Resolution 15-01, Extension of Professional Services Agreement for Water and Power Consultant for FY2015-2016**
4. **Other Business**

**ATTACHMENT A**



**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

IN RE: )  
) PDS Docket 14-02  
The Complaint of Pacific Data Systems, )  
Inc. [PDS] Regarding Interconnection )  
Agreement Dispute with Teleguam )  
Holdings LLC-PDS Request for Fiber )  
Layout Maps )

**ORDER**

This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Stipulation of the Parties to Dismiss the PDS Complaint regarding Dark Fiber Surveys.<sup>1</sup>

Previously, on September 25, 2014, the PUC issued its Order regarding the Dark Fiber Survey Dispute.<sup>2</sup> The PUC affirmed the finding of the Administrative Law that GTA had a duty pursuant to Section 8.2.19.1 of the Network Elements Attachment of the PDS-GTA ICA to timely produce the GTA Fiber Layout Maps. The PUC determined that the review requirements of the Security Agreement between GTA and the United States Federal Government did not in any matter abrogate, affect, restrict, diminish or limit the duty of GTA to provide Fiber Layout Maps to PDS under the ICA.

In the Order, the only unresolved issue was whether attorney's fees should be assessed against GTA and, if so, in what amount.<sup>3</sup> GTA and PDS have now resolved this issue and all outstanding matters in the Stipulation of the Parties to Dismiss the PDS Complaint regarding Dark Fiber Surveys, a copy of which is attached hereto.<sup>4</sup>

Having considered the record of the proceedings herein, and the Stipulation to Dismiss the PDS Complaint regarding Dark Fiber Field Surveys, the Guam Public Utilities Commission hereby **ORDERS** as follows:

1. The Stipulation of the Parties is hereby approved;

<sup>1</sup> STIPULATION TO DISMISS PDS COMPLAINT REGARDING DARK FIBER FIELD SURVEYS, PDS Docket 14-02, filed January 5, 2015.

<sup>2</sup> PUC Order, PDS Docket 14-02, issued September 25, 2014.

<sup>3</sup> Id. at p.3.

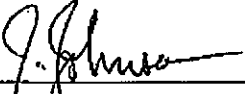
<sup>4</sup> STIPULATION TO DISMISS PDS COMPLAINT REGARDING DARK FIBER FIELD SURVEYS, PDS Docket 14-02, filed January 5, 2015.


ATTACHMENT B

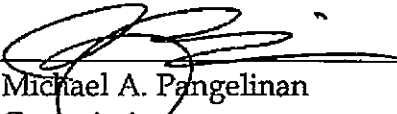



2. The Parties are ordered to comply with all duties and obligations in accordance with the Stipulation; and
3. This matter is hereby dismissed.

Dated this 29<sup>th</sup> day of January, 2015.

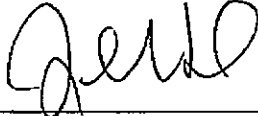
  
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Jeffrey C. Johnson  
Chairman

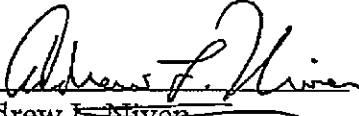
  
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Rowena E. Perez  
Commissioner

  
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Michael A. Pangelinan  
Commissioner

  
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Filomena M. Cantoria  
Commissioner

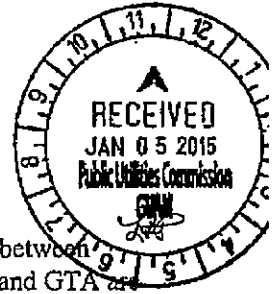
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Joseph M. McDonald  
Commissioner

  
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Peter Montinola  
Commissioner

  
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Andrew E. Niven  
Commissioner

Scan  
PDS 14-02

STIPULATION TO DISMISS PDS COMPLAINT  
REGARDING DARK FIBER FIELD SURVEYS



This Stipulation is made this 5<sup>th</sup> day of JANUARY, 2015, by and between Pacific Data Systems, Inc. ("PDS") and Teleguam Holdings, LLC. ("GTA"). PDS and GTA are sometimes referred to collectively as the "Parties."

WHEREAS, on November 24, 2013, PDS submitted to GTA a written request for dark fiber field surveys pursuant to the PDS-GTA 2010 Interconnection Agreement ("ICA") Network Elements Attachment Section 8.2.19.2; and

WHEREAS, subsequent communications from GTA to PDS indicated that GTA was restrained by its Network Security Agreement ("NSA") and had sought guidance from federal authorities party to the NSA; and

WHEREAS, on April 28, 2014 PDS notified GTA of a dispute regarding the failure of GTA to respond to the request for dark fiber field survey; and

WHEREAS, on July 14, 2014, PDS filed a formal complaint with the Guam Public Utilities Commission ("PUC") alleging GTA's failure to negotiate via the ICA dispute resolution process and failure to respond to the request for dark fiber field surveys; and

WHEREAS, on August 29, 2014, GTA provided dark fiber field survey information to PDS; and

WHEREAS, the Administrative Law Judge, held a hearing on this matter on September 3, 2014, which hearing considered the concurrent complaint by PDS against GTA regarding GTA's failure to provide fiber layout maps pursuant to the aforementioned ICA section; and

WHEREAS, at the September 3<sup>rd</sup> hearing, the Parties agreed to meet to discuss deficiencies within the survey information and schedule joint site visits to GTA central offices to conduct fiber surveys; and

WHEREAS, joint central office fiber surveys were conducted between September 18 and September 22, 2014.

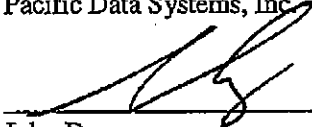
NOW THEREFORE, in consideration of the mutual covenants, terms and conditions set forth herein, the Parties agree as follows:

1. GTA has provided updated dark fiber field survey consistent with the data obtained from the above-mentioned joint site surveys; and
2. GTA has provided clarification of the GTA email to PDS dated, July 17, 2013 notifying PDS of new fiber installation between Agana and Piti; and

3. GTA acknowledges and accepts the findings of fact and conclusions of law adopted and approved by the PUC in PDS Docket 14-02 dated September 23, 2014 (the "PUC Order") as applicable to this Docket 14-03; and
4. GTA will comply with the PUC Order, wherein the PUC requires GTA "to fully comply with the information disclosure requirements under the ICA or federal regulation"; and
5. GTA agrees to pay the PUC's regulatory expenses associated with this Docket 14-03; and
6. GTA agrees to pay PDS's attorney's fees in this Docket 14-03 as provided in the Berman, O'Connor & Mann Invoice # 21424, dated October 20, 2014, in the amount of \$3400.00.
7. PDS and GTA agree to request the ALJ to dismiss this matter without further action.

IN WITNESS WHEREOF, Teleguam Holdings, LLC. and Pacific Data Systems, Inc. have duly executed this Stipulation on the dates below indicated:

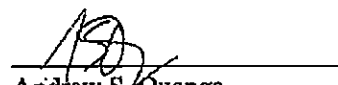
Pacific Data Systems, Inc.



John Day  
President

Dated: 1-05-2015

Teleguam Holdings, LLC.



Andrew S. Quenga  
General Counsel

Dated: 1-5-15



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF: ) GPA Docket 14-01
Request by the Guam Waterworks Authority for Approval of the Customer Information System Contract. ) ORDER

INTRODUCTION

This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Waterworks Authority ["GWA"] for Approval of contract delay expense with Wi-Pro Technologies ("Wi-Pro") in the amount of \$155,000.1

BACKGROUND

The Background of this matter is set forth in the PUC Counsel Report filed herein on January 13, 2015.2 The PUC adopts the Counsel Report and the recommendations set forth therein.

DETERMINATIONS

- 1. The PUC previously approved the Guam Power Authority's request to expend \$370,000.00 regarding Change Request CR-GPA-004. This Change Request covered additional costs to both GWA and GPA due to changes in the overall project schedule and extension of the "go-live" date for both GPA and GWA. However, GWA's expense of \$155,000.00 for CR-GPA-004 was not brought to the attention of the PUC at its December 1, 2014, Meeting.
2. GWA's request for additional expenditures for contract implementation services to Wi-Pro in the amount of \$155,000 should be approved. Such expense is for additional services that Wi-Pro will be required to provide to GWA as a result of the extension of the "go-live" period of the contract.

1 GWA Petition for Delay Expense for Customer Information System Consulting Agreement with Wi-Pro Technologies, GPA Docket 14-01, filed November 6, 2014.

2PUC Counsel Report, GPA Docketed 14-01, dated January 13, 2015.

ATTACHMENT C

Order  
GWA Request for  
Contract Delay Expense  
GPA Docket 14-01  
January 29, 2015


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**ORDERING PROVISIONS**

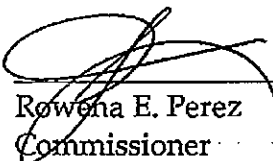
After careful review and consideration of the above determinations, the Request of GWA, the PUC Counsel Report, and the record herein, for good cause shown and on motion duly made, seconded, and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

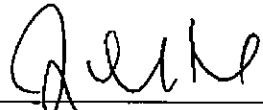
1. The PUC hereby authorizes GWA to expend an additional amount of \$155,000.00 for contract implementation services to Wi-Pro for the Customer Care & Billing implementation related to Change Request Assessment CR-GPA-004.
2. The total authorized amount which GWA is now authorized to expend on its contract with Wi-Pro is \$1,166,765.00.
3. 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.

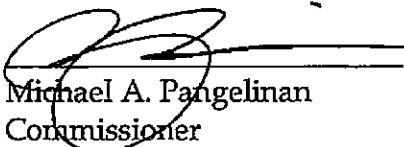
Dated this 29<sup>th</sup> day of January, 2015.

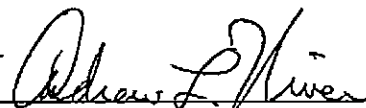
  
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Jeffrey C. Johnson  
Chairman

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Joseph M. McDonald  
Commissioner

  
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Rowena E. Perez  
Commissioner

  
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Peter Montinola  
Commissioner

  
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Michael A. Pangelinan  
Commissioner

  
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Andrew L. Niven  
Commissioner

Order  
GWA Request for  
Contract Delay Expense  
GPA Docket 14-01  
January 29, 2015

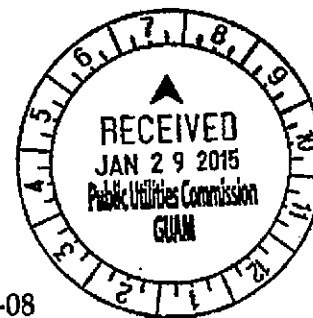
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Filomena M. Cantoria  
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



GUAM POWER AUTHORITY  
LEVELIZED ENERGY ADJUSTMENT  
CLAUSE [LEAC]

GPA DOCKET 15-08

ORDER

In accordance with the protocol established by Guam Public Utilities Commission [PUC] Order dated January 29, 1996, as amended by Order dated March 14, 2002, Guam Power Authority [GPA] transmitted its LEAC Filing, dated December 18, 2014, to the PUC.<sup>1</sup> GPA requested that the Levelized Energy Adjustment Clause Factor ["LEAC"], for the six-month period commencing February 1, 2015, be decreased from \$0.146666/kWh to \$0.121461/kWh effective for meters read on or after February 1, 2015.<sup>2</sup> This decrease in the LEAC factor represents a 10.29% decrease in the total bill or a \$25.21 decrease for a residential customer utilizing an average of 1,000 kilowatt hours per month.<sup>3</sup>

The basis for the LEAC filing is the continuing decline in worldwide fuel prices. As recently as December 1, 2014, the PUC ratified an Order of the Chairman that reduced the LEAC factor from \$0.17644/kWh to \$0.146666/kWh for residential customers effective November 1, 2014.<sup>4</sup> The substantial decrease in worldwide fuel prices was also the rationale for the prior PUC approved reduction in the LEAC

On December 11, 2014, the Guam Consolidated Commission on Utilities, in Resolution No. 2014-71, authorized GPA Management to Petition the PUC for a decrease in the LEAC for the period February 1, 2015, through July 31, 2015 as set forth in GPA's Petition.<sup>5</sup> The CCU recognized that the market price for fuel had been declining and projected it to be \$70.27/bbl for the upcoming LEAC period. No change was requested in the Working Capital Fund Surcharge.<sup>6</sup>

On January 18, 2015, the PUC's Consultant, Slater Nakamura & Co. LLC [hereinafter "Slater"], submitted its Review of the Proposed LEAC Adjustment.<sup>7</sup>

<sup>1</sup> GPA LEAC Filing, GPA Docket 15-08, filed December 18, 2014, at p. 1.

<sup>2</sup> Id.

<sup>3</sup> Id.

<sup>4</sup> PUC Ratification Order, GPA Docket 14-12, filed December 1, 2014.

<sup>5</sup> CCU Resolution No. 2014-71, adopted December 11, 2014.

<sup>6</sup> Id.

<sup>7</sup> Slater, Nakamura & Co. Report on the Investigation of the Request for LEAC Adjustment, GPA Docket 15-08, filed January 18, 2015.

ATTACHMENT D

Slater recommended two principle changes to the GPA LEAC calculation: first, GPA was requested to revise its sales forecast method. GPA had relied upon the Leidos Engineering sales forecast done in June 2014. It modified its approach by increasing the Leidos sales forecast for 2015 by the same percentage that Leidos had under-forecast actual sales for all of Fiscal year 2014.<sup>8</sup> GPA's adjustment method increases the amount of LEAC revenues recovered in both the Reconciliation and forecast periods relative to results using other adjustment techniques.<sup>9</sup>

Second, Slater recommended that GPA update the original filing with a January forecast of residual and diesel fuel oil based on the January 12, 2015 Morgan Stanley estimates.<sup>10</sup> Use of the Morgan Stanley updated forecast reduced the projected cost of RFO by approximately \$13 per barrel and Diesel by approximately \$16 per barrel.<sup>11</sup> Based upon these revisions, GPA's data produces a scenario that decreases the LEAC rate further to \$0.096814.

Slater recommends that the LEAC rate for secondary customers be decreased to \$0.096814 per kWh instead of the \$0.121461 per kWh proposed by GPA in its original filing.<sup>12</sup>

Thereafter, GPA raised the concern that fuel oil prices are fluctuating; the possibility exists that too low a decrease in LEAC could necessitate substantial future increases in the event that fuel prices rise. Perhaps a more cautious approach in reduction of LEAC would be in order.<sup>13</sup> GPA concurred that it could accept a LEAC factor in the range of \$0.102 per kWh.<sup>14</sup> PUC Consultant Slater indicated that, if GPA offered to set the LEAC between 10.2 and 11.00 cents per kWh, market information on current fuel prices would support GPA's request.<sup>15</sup> GPA then filed an updated Fuel Clause Reconciliation, Schedule 1, that sets the LEAC factor at \$0.102054.<sup>16</sup> A true and correct copy of Schedule 1 is attached hereto.

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<sup>8</sup> Id. at pgs. 6-7.

<sup>9</sup> Id.

<sup>10</sup> Id. at p. 1.

<sup>11</sup> Id. at p. 2.

<sup>12</sup> Id. at p. 10

<sup>13</sup> Email from GPA Counsel Graham Botha to PUC Counsel Fred Horecky dated January 25, 2015.

<sup>14</sup> Discussion between GPA Assistant CFO Cora Montellano and PUC Counsel Fred Horecky on January 28, 2015.

<sup>15</sup> Email from Alan Finder to PUC Counsel Horecky dated January 29, 2015.

<sup>16</sup> GPA Fuel Clause Reconciliation, Schedule 1, filed by CFO Cora Montellano on January 28, 2015.



**DETERMINATIONS**

1. PUC adopts the recommendations in the Slater Report. Furthermore, it is reasonable and prudent to adopt the LEAC factors as set forth in GPA Revised Schedule 1, attached hereto as Exhibit "1".
2. This change represents a decrease of \$44.61 per month, or 18.2%, in the total bill for a residential customer using an average of 1,000 kilowatt hours per month.

**ORDERING PROVISIONS**

After carefully reviewing the record in this proceeding, having considered the LEAC Filings of GPA and the Report of Slater, Nakamura & Co. LLC, and after discussion at a duly noticed public meeting held on January 29, 2015, for good cause shown and on motion duly made, seconded and carried by affirmative vote of the undersigned Commissioners, the Guam Public Utilities Commission hereby **ORDERS** that:

1. The current singular LEAC factors are hereby adjusted effective February 1, 2015, as shown in the following table:

<u>Delivery Classification</u>	<u>LEAC</u> <u>\$ per kWh</u>
Secondary -	\$ 0.102054
Primary - 13.8 KV	\$ 0.098105
Primary - 34.5 KV	\$ 0.097741
Transmission - 115 KV	\$ 0.096190

This change represents a 18.2% decrease in the total bill for a residential customer utilizing an average of 1,000 kilowatt hours per month (\$44.61 per month).

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2. GPA should file for a change in the LEAC factors to be effective August 1, 2015 on or before June 15, 2015.

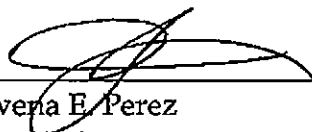
3. As requested by GPA, the current Working Capital Fund Surcharge of \$0.00466/kWh for civilian customers and \$110,374.00/month for the Navy shall remain in effect. This Surcharge is for the payment of debt service on the replenishment of the WCF from bond funds.
  
4. GPA is ordered to pay the Commission's 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 29th day of January, 2015.



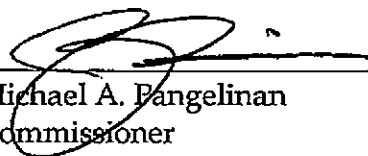
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Jeffrey C. Johnson  
Chairman



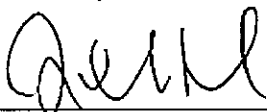
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Rowena E. Perez  
Commissioner



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Michael A. Pangelinan  
Commissioner



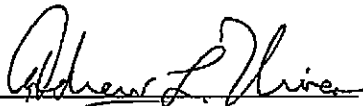
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Peter Montinola  
Commissioner



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Filomena M. Cantoria  
Commissioner



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Andrew L. Niven  
Commissioner

GUAM POWER AUTHORITY  
Fuel Clause Reconciliation

Schedule 1

	Feb-15 28	Mar-15 31	Apr-15 30	May-15 31	Jun-15 30	Jul-15 31	TOTALS	
1 Start Date								
2 Total Sales								
3 Daily Sales								
4 Plant Use								
5 Transmission Loss								
5a Transmission Loss Above 13.8KV								
6 Distribution Loss								
7 Company Use								
8 Total Daily Demand								
9 Month								
10 Days								
11 Required Generation-Civilian	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast		
12 Required Generation-Navy	100,109	110,835	107,260	110,835	107,260	110,835	647,133	77.886%
13 TOTAL REQUIRED GENERATION	28,423	31,469	30,454	31,469	30,454	31,469	183,737	22.114%
	128,532	142,304	137,713	142,304	137,713	142,304	830,870	
14 Number 6 (HSFO/LSFO)	\$ 16,067,450	\$ 12,166,333	\$ 10,153,570	\$ 9,791,888	\$ 9,564,390	\$ 10,286,116	\$ 68,029,745	Schedule 2
15 Number 2 (GPA)	807,387	2,154,055	2,680,733	2,823,934	2,171,016	1,595,467	12,232,591	Schedule 3
16 Renewables	0	803,733	777,336	840,493	821,730	690,720	3,934,012	Schedule 4
17 TOTAL COST	\$ 16,874,837	\$ 15,124,121	\$ 13,611,638	\$ 13,456,314	\$ 12,557,135	\$ 12,572,302	\$ 84,196,349	Schedule 5
18 Handling Costs	(892,328)	(892,093)	(891,952)	(891,573)	(891,640)	(890,492)	(5,350,078)	
19 TOTAL EXPENSE	\$ 15,982,509	\$ 14,232,029	\$ 12,719,686	\$ 12,564,741	\$ 11,665,496	\$ 11,681,810	\$ 78,846,270	
Calculation of Civilian Factor								
20 Sales-Civilian	91,765	101,598	98,320	101,598	98,320	101,598	593,198	
20a Sales-At Transmission Level	6,165	6,826	6,605	6,826	6,605	6,826	39,853	
20b Sales @ 13.8 KV	85,600	94,772	91,715	94,772	91,715	94,772	553,346	
21a Fuel Cost Recovery @ 13.8 KV	\$102,054							
21b Fuel Cost Recovery @ "Transmission"	8,735,861	9,671,846	9,359,851	9,671,846	9,359,851	9,671,846	56,471,100	
21c Total Recovery	604,115	668,842	647,266	668,842	647,266	668,842	3,905,175	
22 Civilian Costs (Total Expense x %)	77.886%	12,448,167	11,084,785	9,906,879	9,786,198	9,085,810	9,098,517	61,410,355
22a Deferred Fuel Amort.								0
23 Under/(Over)	3,108,191	744,097	(100,239)	(554,490)	(921,307)	(1,242,171)	1,034,081	
24 Estimated Under/(Over)								
25 Net Recovery Under/(Over)								
26 Proposed Fuel Cost Recovery								\$ 66,5550 Proposed Rate Without Discount
Half of Navy Adjustment	0							
Civilian Clause Reconciliation:								
27 Opening Recovery Balance-January 31, 2014	(4,134,081)	(1,025,890)	(281,793)	(382,032)	(936,522)	(1,857,829)		
Under/(Over)	3,108,191	744,097	(100,239)	(554,490)	(921,307)	(1,242,171)		
29 Closing Recovery Balance	(1,025,890)	(281,793)	(382,032)	(936,522)	(1,857,829)	(3,100,000)	(1,034,081)	Decrease/(Increase) in Deferred Fuel

Bill Computed at 1000 kWh/month	Current Rates (1)	Current Bill	Rate to fully recover	Increase (Decrease)
Customer Charge \$/month	\$ 13.00	\$ 13.00	\$ 13.00	-
Non Fuel Energy Charges (\$/kwh)				
Lifeline Usage (500 Kwh)	\$ 0.0629	\$ 31.46	\$ 31.46	-
Non Lifeline Usage	\$ 0.0899	\$ 44.93	\$ 44.93	-
WaterWell Charge				
Lifeline Usage (500 Kwh)	0.00000	\$ -	\$ -	-
Non Lifeline Usage	0.00279	\$ 1.40	\$ 1.40	-
Insurance Charge	0.0029	\$ 2.90	\$ 2.90	-
W/CF Surcharge	0.00466	\$ 4.66	\$ 4.66	-
Roll Back Credit (RBC)	0	\$ -	\$ -	-
Fuel Recovery Charge		\$ 146.67	\$ 102.05	\$ (44.61)
<b>TOTAL Bill</b>		\$ 245.01	\$ 200.40	\$ (44.61)
Increase (Decrease) From Current Bill				(44.61)
Percent Increase (Decrease)				-18.21%
Increase (Decrease) From Current Leac Factor				(44.61)
Percent Increase (Decrease)				-30.42%

Adjusted LEAC Rate:	Effective
Customer	Feb-15
Secondary - 13.8 KV	0.102054
Primary - 13.8 KV	0.098105
34.5 KV	0.097741
115 KV	0.095190



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF: ) DOCKET NUMBER 15-05
The Petition of the Guam Power Authority )
For Approval of Procurement of New ) ORDER
Generation Combined Cycle Units and to )
Proceed with Implementation of the )
Integrated Resource Plan (RIP) )
----- )

I. INTRODUCTION

This matter comes before the Guam Public Utilities Commission (GPUC) in response to a petition by the Guam Consolidated Commission on Utilities (CCU) filed on November 10, 2014, seeking to begin procurement for new combined cycle units and implementation of the Integrated Resource Plan.

II. BACKGROUND

1. Summary of Petition

GPA has filed a petition, pursuant to the Contract Review Protocol, requesting the Public Utilities Commission of Guam to "review and approve its petition to begin procurement for new generation combined cycle (CC) units and implementation of the Integrated Resource Plan (IRP)."

GPA believes the IRP and the IRP Implementation Strategy or Resource Implementation Plan (RIP) previously "submitted to the PUC outlined key decisions and milestones critical to developing the RIP. The PUC approved the IRP in July 2013 and required GPA to submit a RIP that addressed a detailed implementation schedule, projected project expenditures, identification of key decision-making milestones, criteria and expenditures to reach those milestones, and identification of expected milestones for establishing LNG supply contracts."

"The Resource Implementation Plan does not provide the final implementation plan, but does provide additional information to GPA and the CCU to assist in IRP implementation and development of a detailed Program Execution Plan. GPA believes that IRP implementation will provide significant savings in future fuel and fuel related costs. Implementation of the IRP has been based on the need for GPA's power plants to come into compliance with recently implemented environmental regulations issued by the United States Environmental Protection Agency, which include RICE-MACT (slow speed generators) and EGU-MACT (steam generators). The compliance deadline for RICE-MACT was May 3, 2013 and the deadline for EGU-MACT is April 16, 2015. GPA believes that given the significant costs to bring the older steam units into compliance, GPA determined that a better approach would be to pursue a consent decree with USEPA to continue to operate the Cabras 1&2, Cabras 3&4, and MEC 8&9 units using RFO while GPA implemented a plan to bring new generation online and convert MEC 8&9 to either ultra-low sulfur diesel (ULSD) or LNG to comply with current USEPA regulations. GPA is requesting approval to

1 GPA Docket No. 15-05, Background

2 Ibid

ATTACHMENT E

construct 120 megawatts of dual fired Combine Cycle generation plant, with an option for an additional 60 megawatts of dual fired Combine Cycle generation plants as needed.”<sup>3</sup>

In support of this Petition, GPA has provided the PUC with Consolidated Commission on Utilities (CCU) Resolution No. 2014-48, which authorizes the General Manager to petition the PUC for approval of the plan to acquire 120 megawatts of dual fired Combined Cycle generation and an option for an additional 60 megawatts of dual fired Combined Cycle generation.

### Analysis

GPA has more than adequate generating capacity to meet current and anticipated loads, so a key question raised by the filing is, “What is the problem GPA is trying solve?” GPA indicates that its plan will address anticipated US EPA requirements, provide benefits to the local economy from such investment, and reduce costs for GPA ratepayers.

GPA’s Petition and associated Resolution focuses on their need to build 120 MWs of new Combined Cycle generation with the option to build an additional 60 MW as their preferred alternative to spending \$460 million in stack emission equipment to continue to operate Cabras 1&2 and Tanguisson 1&2 (\$220M) and Cabras 3&4 and MEC 8&9 (\$240M) in order to meet EPA requirements. The Resolution speaks to retiring Tanguisson 1&2 and Cabras 1&2 once the new CCs are online as a preferred alternative but GPA never specifies how they plan to bring Cabras 3&4 and MEC 8&9 into compliance. No alternatives, other than emission equipment or a “like for like” capacity replacement with new CCs, are mentioned by GPA as part of their assessment of alternatives for Tanguisson 1&2 and Cabras 1&2. Any discussion offered by GPA is focused solely on capital cost requirements; fuel switching implications are not addressed. Other possible alternatives that could allow some continued use of RFO, in the short term at least, are not discussed and in conversations with GPA simply eliminated as not possible without demonstration as such.

Further, the Resolution speaks to GPA “plans” to look at the impact of other key decision variables including: the level of demand for electricity over the next three (3) to four (4) years; the development of additional renewable energy resources; the impact of demand side management programs on GPA’s load; the ability to enter into demand response agreements with government and commercial customers; and, the cost of load leveling energy storage solutions. In spite of mentioning these plans, GPA provided no specifics on how these elements might impact either the timing or magnitude of the need for new capacity, such as the requested Combined Cycle generation. GPA indicated that it is involved in or planning for the following initiatives that we would expect to impact the need for new generation:

1. GPA has issued a bid for 40 megawatts of utility scale solar energy;
2. GPA is developing a Rooftop Solar Energy Program;
3. GPA is in discussion with the U.S. Navy for the potential construction of a 45 plus megawatt solar energy facility;
4. GPA is pursuing a project to construct an energy storage system to help minimize generation outages and reduce the cost of spinning reserve requirements of the system; GPA indicated that this storage solution will help lessen the vulnerability of the system to intermittency events caused by renewable energy systems throughout the island; and

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<sup>3</sup> Ibid

5. GPA continues to explore opportunities to utilize load leveling energy storage solutions in the grid.

In addition, GPA's grid reliability studies have identified numerous actions that could be taken to improve the grids performance. Such an improvement has multiple potential benefits including reduced customer outages, reduced need for generating capacity and the associated fossil fuel, and improved ability to incorporate renewable resources. GPA has not provided the Commission with any information related to how such grid related activities might also impact the magnitude and timing of the need for the proposed new generation.

The financial data initially provided to the Commission to demonstrate the impact of the proposed new generation has several anomalies that GPA is currently in the process of resolving. These include the following anomalies.

1. GPA's use of a different sales forecast in the financial model originally received by Slater Nakamura and Lummus Consultants than it displayed in Slide 22 of the 10/27/2014 presentation to the CCU. The model contains a more optimistic sales forecast.
2. The construction and financing costs for the "Environmental Compliance" projects – at Tenjo Vista, MDI Diesel and Talofoto - are not included in the financial model due to an error in assumptions. This leaves approximately \$2.1 million in bond par value unaccounted for in the estimates.
3. The capital costs for the two 60 MW units have a nameplate rating of 110 MW in total (55 MW per unit) with an unknown effect.
4. The capital costs for the two 60 MW units – expressed as a total of 100 MW of nameplate capacity – are scaled from a 220-MW estimate and are adjusted by \$50 million and \$39 million for unspecified reasons.
5. GPA's fuel forecast "Base" case assumes a cost for RFO that may not reflect the same cost that GPA actually paid on average during FY 2014.
6. Distillates are presumed to cost 1.59 times the cost of a 60/40 blend of High Sulfur and Low Sulfur RFO even though recent GPA actual deliveries in its FY 2015 data indicate a multiple of 1.47 relative to the cost of a 61/39 blend.
7. The assumption of a very high average plant efficiency level – in the form of a heat rate (Btu/KWh) – not observed in any study of a future combined cycle plant known to the Commission's consultants. GPA appears to inconsistently use Lower Heating Value (LHV) and Higher Heating Value (HHV) heat rates when calculating the new Combined Cycle generation fuel costs.
8. GPA refers to Cabras 1&2 and Tanguisson 1&2 as nearing the "end of their useful lives" but the 2011 LNG feasibility study provided to the Commission indicated that life extension of 25 years or more could be possible for these units with capital expenditures on the order of \$2 to \$3 million/year. This should have been further analyzed as an alternative resource approach to the capital cost associated with new generation sources.

For all the previously stated reasons, the analyses that have been provided to the PUC to date have been found lacking in completeness and consistency making it difficult to have confidence in the conclusions reached.

### III. DETERMINATIONS

This is a critical time in the evolution of Guam's energy future; decisions made today will have long term implications for residents' energy costs. The PUC concurs with GPA's belief that Guam's energy future is tied to the ability to reduce dependence on the use of fossil fuels in a cost effective manner.

The PUC believes Guam's energy future should be more focused on reducing fossil fuel dependence, not simply shifting from one fossil fuel to another. We urge GPA to consider expanding its current fossil fuel focused plan to a more balanced approach with increased and near term emphasis on enhancing the electric grid infrastructure, adopting energy efficiency, and acquiring renewable energy sources.

In its July 2013 Order the PUC conditionally approved GPA's 2013 Integrated Resource Plan, subject to the following:

1. Within 120 days of this Order or sooner, GPA shall prepare and submit a detailed Resource Implementation Plan to the PUC for approval. This Plan shall identify the acquisition strategy GPA intends to utilize to bring LNG resources to Guam, including: a detailed implementation schedule; projected project expenditures consistent with the project schedule; identification of key decision-making milestones, criteria, and expenditures to reach those milestones; and identification of the expected schedule milestones for establishing contracts for the LNG supply. The Resource Implementation Plan should also address appropriate business models for adoption of LNG and other resources in the future.
2. GPA shall continue negotiations with the USEPA related to compliance with the RICE MACT standards for the slow speed diesels.
3. GPA shall continue with the recommendations of the IRP, with additional investigations performed in parallel as suggested in the Lummus Letter Report, including:
4. Further investigation of renewable fuels with and without storage to mitigate any potential reliability issues.
5. Further investigation of alternative low sulfur fuels.
6. Early identification and discussions with potential suppliers of LNG to Guam including expressions of interest in serving this size market.
7. In parallel, GPA will continue to investigate the economics of diversification of fuels and a project plan for this path will be included in the Resource Implementation described in 1 above. This should include investigation of lower sulfur fuel, renewables including battery storage technology, and identification of the preferred level of diversification for Guam including the economic impact.
8. GPA's efforts on these activities will be monitored by PUC, with the assistance of Lummus Consultants, as it moves forward. The GPUC will consider the inclusion of reasonable costs associated with a well thought out Resource Implementation Plan, either in the LEAC or a budgeted item in the FY2014 rate proceeding, after review.
9. In proceeding ahead with IRP and the activities outlined in this Order, GPA shall seek review by the PUC of all matters for which prior PUC review is required under the Contract Review Protocol.
10. GPA will investigate as part of the next steps how to enhance system reliability in order to encourage inclusion of renewable technologies and to enhance service to customers and will submit reports to the GPUC semiannually on its progress.



To-date the PUC has found the information provided by GPA in response to the July 13 Order to be generally lacking in at best consistency with its presentations to the CCU and at worst completeness of necessary analysis. The PUC would like more information on the resource need implications of GPA's ongoing actions related to minimizing the energy demand of its customer base, optimizing the use of renewables and the performance of the generation, transmission, and distribution system prior to launching into any major capital investments for new generation that may not be necessary or required to a lesser degree. The PUC observes that the robustness of GPA demand assumptions would be improved if it would conduct a statistically valid survey of distributed generation currently installed and seek information relative to plans for installation on the GPA system.

Specifically, the PUC is concerned that GPA has not fully addressed alternatives to meeting existing and pending EPA regulations that do not involve building new Combined Cycle generation. For example, alternatives might include any of the following alone or in combination:

1. Possibly retaining the use of RFO at one or both Cabras Units 1&2 by adding precipitators to these units and retiring the Tanguisson units – this provides added fuel diversity as a benefit;
2. Expanding the emphasis on DSM – we understand that a plan is under development;
3. Expanding the emphasis on the potential impact of both behind-the-meter and utility-scale renewables and perhaps developing an incentive to encourage customer installation of renewables;
4. Specific electric grid related measures to address reliability, the level of reserve generation required, and the ability of the system to accommodate increased deployment of renewable generation; and
5. The use of blended or alternative fuels at existing units.

In addition, the PUC is also concerned that the Petition as-filed may be too prescriptive in its requirement for combined cycle technology in a size (60 MW) indicative of a specific technology (LM6000 in this case) and manufacturer. Further, the PUC desires that GPA explore the possibility of procurements by which it can enhance its ability to seek a variety of potential resource solutions for some MW level from vendors without specifying the technology.

Lastly, the previously articulated inconsistencies and inaccuracies in the financial analyses provided to the PUC to date need to be resolved in order for there to be any confidence in the conclusions being derived by GPA.

#### IV. ORDERING PROVISIONS

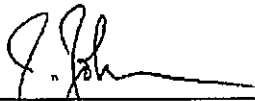
After careful review and consideration of the Report of Lummus Consultants and consideration of the above determinations, the Guam Public Utilities Commission HEREBY ORDERS that:

1. The PUC is not satisfied that the information GPA has provided to date provides sufficient justification to proceed with procuring new combined cycle generation at this time. Accordingly, in regards to the pending Petition for adding New Combined Cycle Generation the PUC rejects the Petition as-filed on the grounds that it does not present sufficient evidence that the proposed new generation is justified. Further consideration is deferred pending GPA providing more specific and complete information as requested by the PUC in both the July, 2013 Order related to the IRP and this Order.
2. The Administrative Law Judge ["ALJ"] is hereby authorized to conduct further proceedings in this Docket. In such proceedings, the AU shall work collaboratively with GPA and Lummus

Consultants (and Slater Nakamura as needed on the rate financial analysis) to develop updated analyses related to the need for new Combined Cycle or other types of capacity.

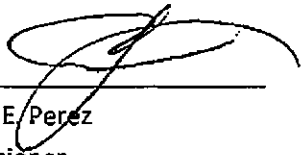
3. In order to address the need for new combined cycle capacity, in an expeditious manner, a series of conferences shall be held between GPA and Lummus Consultants with participation of the ALJ (hereinafter the Parties), as follows:
  - a. Within 14 days of the date of this Order, the Parties shall participate in an initial conference to discuss objectives, direction, procedure, timing and other pertinent considerations.
4. Not later than 150 days after the date of this Order, GPA shall submit a revised analysis that includes:
  - a. An updated and consistent set of planning related assumptions including but not limited to peak load and energy forecasts, fuel forecasts, forecasted impacts of Demand-Side Management (i.e. Demand Response, Energy Efficiency), customer side distributed generation, and renewable energy.
  - b. An increased emphasis on DSM and its potential cost and impact on reducing the amount of fossil fuel required for generation.
  - c. An increased emphasis on renewable energy of both utility and customer scale with a focus on understanding the cost, reliability, and fossil fuel requirement implications.
  - d. An updated financial model reflecting updated financial and planning assumptions including such assumptions as general inflation, real escalation in fuel and non-fuel O&M costs, customer sales and system losses.
  - e. The potential impacts of specific electric grid related measures to address reliability, the level of reserve generation required, and the ability of the system to accommodate increased deployment of renewable generation.
  - f. Explicit consideration of alternatives (not including flue gas de-sulfurization or scrubbers) to continuing the operation of existing units, including the use of blended fuels.
5. Not later than 200 days after the date of this Order, GPA shall submit a revised Resource Implementation Plan to the PUC that includes all provisions previously ordered in the July, 2013 Order updated to reflect the results of this Order.
6. GPA is ordered to pay the PUC'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 29th day of January, 2015.



Jeffrey C. Johnson  
Chairman

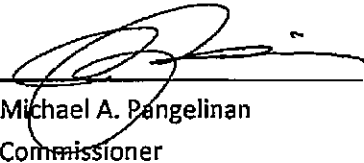
Joseph M. McDonald  
Commissioner



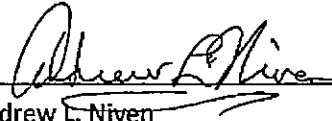
Rowena E. Perez  
Commissioner



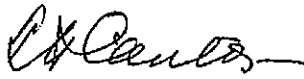
Peter Montinola  
Commissioner



Michael A. Pangelinan  
Commissioner



Andrew L. Niven  
Commissioner



Filomena M. Cantoria  
Commissioner