# GUAM PUBLIC UTILITIES COMMISSION
# REGULAR MEETING
# FEBRUARY 26, 2015
# SUITE 202, GCIC BUILDING, HAGATNA



## MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:40 p.m. on February 26, 2015, pursuant to due and lawful notice. Commissioners Johnson, Perez, Pangelinan, McDonald, 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 January 29, 2015. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the minutes subject to correction.

### 2. Guam Power Authority

The Chairman announced that the next item of business was GPA Docket 15-09, Guam Renewable Energy Association Complaint, Lummus Consultants' Report, ALJ Report, and Proposed Order. Counsel stated that the basic issue raised in the GREA Complaint is that the Guam Power Authority power bills do not reflect all of the customers' generation of renewable energy or the credits that a customer is entitled to if the production of energy exceeds the amount of energy used by the customer. GREA is not convinced that GPA is computing these amounts accurately. The Chairman and staff decided that this matter would be treated as a formal complaint under the Commission's rules.

Certain questions were posed to Lummus Consultants. The first is whether net metering customers have been offered credits by GPA; if they have been offered credits, could GPA produce an itemized listing of the credits and the number of occasions on which credits have been offered to customers and for what amounts. A second question posed is why net metering credits expire after one year; should they expire after a year or not.

Lummus indicated that the most recent GPA report identified 134 net metering customers. About twenty-five customers have received credits. Only three customers were indicated as having credit balances. GPA has admitted that its current system does not allow for an accurate calculation of the amount of energy produced by net metering customers. GPA does this calculation manually; it hopes that when the new CC&B Billing System is implemented in March, the new billing system will be better able to allow GPA to indicate the energy production of the net metering customers and the amount of credits. Once the new billing system is in effect, GPA can be required to produce bills that accurately reflect the production of net metering customers and the amount of credits applicable.

Lummus also addressed the issue of allowing credits for renewable energy after a period of one year. In its opinion, there is no specific reason for denying credits from accruing after one year. It is a matter of policy. Some jurisdictions have the same one year provision. However, the Commission can change this tariff provision if it desires to do so. Both Lummus and the Administrative Law Judge indicated that, if the Commission wishes to further examine the issue of accruing credits after one year, it may do so. The ALJ Report referred to 12 GCA §8505(b). That provision states that the utility "shall measure the net electricity produced or consumed during the billing period." If the electricity supplied by the utility to the customer generator exceeds the electricity generated by the customer generator which is fed back to the utility during the billing period, the customer generator must be billed for the net electricity supplied by the utility. If the electricity generated by the customer generator which is fed back to the utility exceeds the electricity supplied by the utility during the billing period, the customer generator is entitled to compensation for electricity provided to the utility during the billing period at a rate to be determined by the Public Utilities Commission. That provision seems to require payment by GPA for excess generation.

The ALJ and Lummus should consider this matter further. If the present tariff was changed and compensation ordered, GPA would incur additional cost. Cost is a driver of rates and could obligate the Commission to provide GPA with sufficient rates to meet such obligation. In such case, there would be rate and revenue impacts upon GPA.

The ALJ concurred with the recommendations of Lummus and drafted an Order proposing that the ALJ work with Lummus and GPA to determine what further information should be reported to the PUC. The ALJ also suggested that the issue of the extension of credits beyond one year could be revisited if and when the Commission desires to conduct a full investigation on the issue, along with the corresponding rate impact, to determine whether any change should be made to the current net metering policies. The Commissioners have the option of referring the matter of the extension of the life of credits to the ALJ and Lummus for further consideration. A provision of the Proposed Order would then need to be reworded. The proposed Order also provides that GPA give a sample net metering bill to the Commission showing metering credits for a new billing system before such billing format is finalized and implemented.

The Chairman then opened up the meeting to members of the public for comment. Mr. Scott Hagen, representing the Guam Renewable Energy Association, submitted written testimony. In addition, on behalf of GREA, he thanked the PUC for addressing the concerns stated in the GREA letter filed with GPA on October 8, 2014. GREA received the Lummus Consultants' Report, and sees no need to expand beyond the Report. On the issue of net metering, GREA understands that GPA is currently working on a solution to provide all relative information on the monthly customer bill. GREA applauds GPA for doing that.

On the topic of the annual expiration of energy credits, GREA is in full support that there should be compensation and/or repurposing of the excess energy credits at the end of each calendar year. A related topic not addressed in the Report is the changing out of the customer's GPA meter prior to the net energy metered system energizing and at the end of each calendar year. GREA understands that this is being done to basically zero out the meter reading. This has been an inconvenience for customers and probably for GPA as well. GREA recently learned that GPA is taking necessary steps to eliminate this process; on behalf of GREA, he requests that the PUC consider following up with GPA on this matter. As a person who has been working hard to create a market for this industry and grow the industry, he believes that this is a step in the right direction; once it's resolved, it will be a huge milestone for net metering customers.

Mr. Rick Sparacio indicated that the new net meters were beginning to be installed in mid-2013; however GPA was apparently just now creating a billing system that will operate with the net meters. Chairman Johnson confirmed that the old GPA system was called Utiligy. Counsel Graham Botha of GPA stated that the billing Utiligy system has been around for many years and is a legacy system. The new CC&B system should be finished and started on March 9, 2015. Thereafter there should be better billings which can accommodate the needs of net metering customers.

Mr. Sparacio questioned whether if the new billing system reflects credits that didn't show previously, will GPA be required to go back and correct the overbillings or the incorrect billings that were present since the smart meters went in. The Chairman indicated that he was not certain. Mr. Botha was also not certain. Commissioner Perez asked whether the information was archived in the old system. Mr. Botha indicated that it was.

Other members of the public pointed out how the net metering system functions in Hawaii. Questions were raised about mitigating past billings of clients going forward. The Chairman indicated that smart meters might be able to address that problem but again he was not certain. Ms. Stewart indicated that issues remained whether the proper net metering credit is being applied month after month; it is not a comfortable feeling that a customer can be in the system yet be disconnected for failure to pay an entire balance not agreed to. Ms. Stewart represents the Guam Football Association and it has been threatened with being cut off.

GPA Counsel Botha indicated that GPA would look into this; usually customers come in and work with the customer service department to resolve issues. If there is a problem with the meters, GPA engineers would examine the meter to determine whether they are accurate. Commissioner Niven indicated that the PUC needs to address the end of year carryover and make sure that the billing system accommodates net metering. When the number of net metering customers approaches 1,000, the PUC will revisit the whole calculation of net metering. Commissioner Niven wondered whether GPA was roughly at 200 net metering customers or close to it, and how long it would be before we would approach 1,000 net metering customers. There would need to be a lead time for initiating a Docket and the receipt of comments and investigation of the matter before PUC could come to a decision.

Members of the industry indicated that the numbers appear to be exponentially increasing. The Chairman asked whether the industry was facing challenges as a result of the overall bill being dropped to approximately 21 cents per kilowatt hour. The industry representative indicated that he did not think that the industry was currently facing challenges in this regard. There were no further comments or questions. Counsel asked whether the Commissioners wished to revise Paragraph 2 of the Order to now ask for an investigation of the issue of extending net metering credits beyond one year. Commissioner Pangelinan indicated that he would like more information on that issue and was surprised that the Consultants did not provide input on the policy pros and cons. The Chairman would also like to take a closer look at the legislation and whether, if the credit is extended there would be a financial credit or refund of some sort, or a carryover. Counsel indicated that the law may require compensation; possibly the provision in the tariff that only allows credit for up to one year might actually conflict with the legislation.

GPA Counsel Botha indicated that the original net metering tariff was instituted after extensive testimony by Georgetown and GPA. GPA is not presently taking a position on this issue. Commissioner Niven indicated that his earlier question was really asking whether it was too early or premature to start looking at this. Perhaps these issues could be addressed when GPA is approaching 1,000 customers and the compensation/carryover issue could be addressed together in one proceeding. Counsel indicated that there was nothing preventing the Commissioners from addressing these issues now. Chairman Johnson asked GPA Counsel Botha whether PUC would receive its net metering report on April 1. Mr. Botha indicated he was sure that GPA would have its report for the Commission on April 1. Upon motion duly made, seconded and unanimously carried, and subject to the condition that Paragraph 2 of the Order would be amended to instruct the Consultants to provide an analysis of the credit extension of net metering credits beyond one year, the Commissioners adopted the Order made *Attachment "B"* hereto.

The Chairman announced that the next item on the agenda was GPA Docket 13-14, Filing of GPA's Demand Side Management and Energy Efficiency Implementation Plan, Lummus Consultants' Report, and Proposed Order. Counsel indicated that a Demand Side Management Program includes the measures that a utility can take to reduce customer demand. These programs can include rebates on solar water heaters, washers, refrigerators, etc. But it can also involve other measures such as energy audits in the home, advice by the utility to customers about reducing their electricity usage, etc. On the supply side, GPA has recently requested approval to build new plants. Demand side management may well reduce the need for new generation capacity. That is why DSM is an important part of any overall plan that the utility adopts.

The Commission considered the matter of DSM at the end of July last year. The Commission issued an Order stating that the ALJ, Consultant Lummus, and GPA should work together to develop a Demand Side Management program for implementation by GPA. The parties worked together on the plan, and now GPA has filed a lengthy DSM and Energy Efficiency Implementation Plan. The Commissioners have had the opportunity to review this filing. The interactive negotiation process between the ALJ, Lummus and GPA has occurred over a number of months; the parties have come up with an actual plan that GPA could implement. Lummus has reviewed the plan with GPA and its Consultant Leidos. The Implementation Plan is detailed in the Lummus Report at pages 3 and 4.

Four primary candidates for consideration have been offered at this time: central and ductless air conditioning, washers and dryers. There would be a rebate program for customers. Refrigeration has been taken out of the mix. The next steps involve refining these particulars options and determining how the utility will implement these programs. There is a need for marketing analysis, consumer public education, determination of manner of phasing process and the applicable staffing needs. The program could either be done in house by GPA or through a third party consultant that implements the DSM program.

The issue that will be resolved in the next phase of this process is cost recovery, and how the DSM program will be paid for. Costs include GPA's implementation costs, hiring Leidos to develop the plan, the cost of employees that will be running the plan, and others. There is fixed cost recovery; when you implement DSM programs, the goal is to reduce customer demand. The problem for the utility is that it no longer receives revenues that it had previously garnered. However the utility's fixed costs, such as for plants and other fixed assets, continue. The question is how do you implement a mechanism that will make GPA whole. Different states in the U.S. cover either all or some of those costs; there are many issues that need to be decided concerning cost recovery.

Lummus has also provided a short paper on business models and cost recovery approaches. This paper will be provided to the Commissioners. By the end of August this year, or perhaps a month later, a final plan should be ready for presentation to the PUC. Lummus has complimented GPA for developing this program. There has been good progress that should continue if the Commission approves the implementation plan. The Proposed Order requires the process to proceed ahead. The ALJ would be authorized to work further with the parties to conduct proceedings in the docket and to determine the final elements of the program and to implement the program. Cost recovery is a complicated issue and will take more time to resolve. A final implementation plan should be ready in August.

GPA Counsel Botha reiterated that DSM proposal has been a collaborative effort between GPA, Leidos, and Lummus. There is an issue with budgeting. GPA has not budgeted for costs, including those of its own Consultant. GPA estimates that its Consultants will charge $400,000 for the additional study effort. The four possible program items set forth are ones upon which GPA can act (with the exception of refrigerators). Customers should be encouraged to put in place higher SEER air conditioners (those have the most payback). The proposed rebate is $500.00 per unit. Without some type of surcharge, GPA could not afford to allow customers to replace all the air conditioners in their households. In Hawaii, DSM is paid for through a surcharge. As long as there is funding, GPA is prepared to go forward.

Commissioner Niven indicated that he wished to ensure that GPA has been in touch with the Guam Energy Office and other interested parties such as the University's Center for Sustainability. Commissioner Niven understands that there was previously an energy efficient appliance rebate program from the Guam Energy Office. GPA Counsel Botha confirmed such was correct. GPA previously had a grant for hot water heaters. GPA secured a grant of $150K which allowed fifty consumers to obtain solar water heaters for a $3,000.00 credit. This program required a full time engineer. Homes had to be inspected before the hot water heaters could be installed. Another grant GPA received was for $1M for a windmill on the cross island road. Sometimes the costs associated with such grants are considerable. Upon motion duly made, seconded and unanimously carried, the Commissioners approved GPA's Demand Side Management and Energy Efficiency Implementation Plan and adopted the Order made *Attachment "C"* hereto.

### 3. Administrative Matters

PUC Administrator Palomo did not have a further report on the matter of Ipads for Commissioners at the present time. Counsel Horecky indicated that Commissioners had discussed the possibility of taking off the month of June with regard to the regularly scheduled meeting. After considerable discussion by the Commissioners it was determined that the Commission would not hold its regular meeting in June, but, if necessary, the meeting could be held on July 2, 2015. Upon motion duly made, seconded and unanimously carried, the Commissioners agreed there would be no regular PUC meeting in June, 2015, but that such meeting could be scheduled, if necessary, on July 2, 2015.

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

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., February 26, 2015

Agenda

1. Approval of Minutes of January 29, 2015

2. Guam Power Authority
   - GPA Docket 13-14, Filing of GPA's Demand Side Management and Energy Efficiency Implementation Plan, Lummus Consultants Report and Proposed Order
   - GPA Docket 15-09, Guam Renewable Energy Association Complaint, Lummus Consultants Report, ALJ Report, Proposed Order

3. Administrative Matters
   - PUC Administrator Report on Ipads

4. Other Business

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BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

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| GUAM RENEWABLE ENERGY ASSOCIATION COMPLAINT | ) | GPA DOCKET NO. 15-09 |
| | ) | ORDER |

## INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the "PUC") pursuant to the October 8, 2014 Letter addressed to the Guam Power Authority ("GPA") from Guam Renewable Energy Association ("GREA"), which generally contends that customers are unable to identify credits for excess generation from their systems that are subject to Net Energy Metering ("NEM") and that GPA may not be adequately tracking such information. The PUC has considered the instant filing a formal Complaint.

## BACKGROUND

When the Guam Legislature enacted GPA's net metering statutory scheme, the Legislature clearly expressed its intent "to combine new power-generation technologies with traditional power-generation systems in order to expand and safeguard the island's electric supply, without the need for additional capital investment by the utility company." P.L. 27-132, p. 2 (Dec. 30, 2004). The Legislature also unequivocally expressed its intent to "(a) encourage private investment in renewable energy resources; (b) stimulate economic growth; and (c) enhance the continued diversification of the renewable energy resources used on Guam." *Id.*

The Legislature also entrusted the PUC with the authority to determine the rate for Net Excess Generation ("NEGs"). In particular, Section 8505(b)(3) of Title 12

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provides that where "the electricity generated by the customer-generator which is fed back to the utility exceeds the electricity supplied by the utility during the billing period, the customer-generator is entitled to compensation for electricity provided to the utility during the billing period at a rate to be determined by the Public Utility Commission." P.L. 27-132, p. 5 (codified at 12 G.C.A. § 8505(b)(3)).

On December 29, 2008, the PUC approved and adopted the current Interim Net Metering Rider for Customer-Generator Energy Facilities, developed by both GPA and the Georgetown Consulting Group, Inc. ("Georgetown"), the PUC's consultant.[1] Pursuant to this order, the PUC indicated that "at such time as the number of customer-generators availing themselves to the 'net metering' tariff approaches one-thousand (1,000) customers, the issue of whether a limitation should be imposed by Guam on the aggregate capacity eligible for 'net metering' treatment will be reviewed and examined by the PUC."[2] In addition, the Net Metering Rider requires GPA to "submit an annual 'net-metering' report to the PUC" to be "submitted by April 1st of each year, and shall include the following information for the previous compliance year: (1) Total number of Customer-Generator facilities; (2) Total estimated rated generating capacity of its 'net metered Customer-Generators; (3) Total net kilowatt-hours receive from Customer-Generators; and (4) Total estimated amount of energy produced by Customer-Generators."[3] On February 27, 2009, the PUC approved and adopted GPA's Standard

[1] PUC Decision and Order, GPA Docket 08-08, p. 2 (Dec. 29, 2008).

[2] PUC Decision and Order, GPA Docket 08-08, pp. 2-3 (Dec. 29, 2008).

[3] PUC Decision and Order, GPA Docket 08-08, "Exhibit A" (Dec. 29, 2008).

Interconnection Agreement for Net Metering Facilities, as well as GPA's Net Metering Program Interconnection Policy.[4]

Pursuant to the Rider, "[i]f the customer's net energy is negative during a billing period, the customer shall be credited in the next billing period for the kWh difference. When the customer elects no longer to take service under this Net Metering Service Tariff, any unused credit shall revert to GPA."[5] The Rider further provides that "[i]n no event shall the excess credit from a single month be carried forward beyond twelve (12) months as a credit against a current monthly bill. At the end of each calendar year, or in the event of termination of service under this Rider, any excess kWh credits, if any, will be granted by the customer to the GPA without compensation to the customer."[6]

**DETERMINATIONS**

In the Complaint, GREA maintains that "[s]ince the energizing of Guam's first Solar Net Metered System we have heard the following questions . . .": "How do I know if I have generated or accumulated credits? How did I know if GPA is recording my production? And if so, is it accurate?" Complaint, p. 1. GREA further maintains that the power bill produced by the Residential Hawaiian Electric Co. indicates both energy production and credits. Complaint, p. 1. In sum, the Complaint contends that customers are unable to identify credits for excess generation from their systems that are subject to Net Energy Metering ("NEM") and that GPA may not be adequately tracking such

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4 PUC Order, GPA Docket 08-10, p. 1 (Feb. 27, 2009).

5 *Id.*

6 *Id.*

information. Review of Guam Renewable Energy Association Complaint, filed by Lummus Consultants International ("Lummus"), GPA Docket 15-04 ("Report"), p. 1 (Feb. 19, 2015).

On February 19, 2015, Lummus issued its Report addressing the issues raised in the Complaint, as well as other issues raised by the Commission. In the Report, Lummus found the following. GPA relayed to the Lummus team that the current billing system could not handle the NEM and that a separate spreadsheet is used to track the production. Report, p. 2. However, GPA also indicated that a new billing system will be implemented this year that will better track and communicate NEM information to GPA customers. Report, p. 2. In its investigation, Lummus found that there were three (3) net metering customers with credit balances (as of September 30, 2014); twenty-five customers who received credits during April 2014 through September 2014; and that the total number of net metered customers was 134. Report, p. 2.

In addition, Lummus further found that GPA currently manually tracks NEM credits. Report, p. 2. Moreover, Lummus indicated that GREA and GPA entered into an agreement regarding the billing issues in November. Report, p. 2.

Lummus also examined the issue of whether NEM credits should expire after one (1) year. Lummus concluded that there is no reason why such credits should expire after a year. Report, p. 2. Lummus maintains that each jurisdiction has its own set of rules for when such credits expire; and that jurisdictions are split between a year-end expiration of the credits, a buy-out at the end of the year of such credits, or carry-over of such credits to the following year. Report, p. 2.

Lummus contends that allowing such credits to carry-over to the next year is a policy decision for the Commission, but that without storage capabilities, it is also a financial issue that may impact revenues and rates. Report, p. 3. The scope of the instant review, however, did not examine this policy. Report, p. 3. Lummus ultimately advised that the current NEM crediting system should not be altered until GPA implements a new billing system that is "fully capable of producing reliable information for customers and tracking necessary consumption and excess generation information." Report, p. 3.

As a result of its investigation, Lummus recommended the following. First, Lummus recommended that GPA provide the Commission with more detailed and more regular reporting of NEM credit information. Lummus maintains that such information should be available as part of the new billing system being installed in early 2015 and GPA should provide the Commission with a sample report for review to verify that it meets the needs of the Commission prior to issuing the first report. Report, p. 3.

In addition, Lummus recommended that the Commission, along with GPA, should review and investigate the current means of handling credits on an annual basis. Customers currently lose all credits on an annual basis with no compensation. Alternatively, the parties may be able to arrive at some mutually agreeable system so that both GPA and its customers could benefit from the excess credits. Report, p. 3.

Finally, Lummus further recommended that GPA provide the Commission with a sample NEM bill, showing metering credits from the new billing system, for review and comment before such new billing format is finalized and implemented. Report, p. 3.

On February 24, 2015, the Administrative Law Judge of the PUC (the "ALJ") issued an ALJ Report detailing his review of the instant matter. In the ALJ Report, the ALJ found that, based on Lummus' investigation, it appeared that GPA and GREA had arrived at an agreement regarding billing issues. Lummus, however, believed that GPA should provide the Commission with more detailed and more regular reporting of NEM credit information and that such information should be available as part of the new billing system. Therefore, with respect to any new and additional reporting requirements, the ALJ will work with Lummus and GPA to determine what further information should be reported to the PUC.

With respect to whether the life of credits should extend over a year, the ALJ found that the Commission, along with GPA, should review and investigate the current means of handling such credits, as indicated by Lummus. Accordingly, the ALJ recommended that this issue should be revisited, if or when the Commission so desires to conduct a full investigation on this particular issue, along with any corresponding rate impact, to determine whether any change should be made to the current net metering policies.

Finally, with respect to GPA's implementation of a new billing system, the ALJ recommended that GPA should provide the Commission with a sample NEM bill, showing metering credits from the new billing system, for review and comment before such new billing format is finalized and implemented.

The Commission hereby adopts the findings made in the February 24, 2015 ALJ Report and the February 18, 2015 Report prepared by Lummus and therefore issues the following:

**ORDERING PROVISIONS**

Upon careful consideration of the record herein, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS the following:

1. That, with respect to any new and additional reporting requirements, the ALJ shall work with Lummus and GPA to determine what further information should be reported to the PUC.

2. That, with respect to whether the life of credits should extend over a year, Lummus and the ALJ shall conduct an analysis and investigation of: (a) the desirability of any change to current net metering policies; (b) the legal impact of 12 GCA §8505 (b)(3) upon such issue; and (c) any corresponding rate impact. Lummus and the ALJ shall make appropriate recommendations to the Commission.

3. That with respect to GPA's implementation of a new billing system, GPA shall provide the Commission with a sample NEM bill, showing metering credits from the new billing system, for review and comment before such new billing format is finalized and implemented.

4. GPA is ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with this docket. Assessment of the PUC's regulatory fees and expenses is authorized

pursuant to 12 G.C.A. §§ 12002(b) and 12024(b) (renumbered as 12 G.C.A. §§ 12103(b) and 12125(b)), and Rule 40 of the Rules of Practice and Procedure before the PUC.

**SO ORDERED** this 26th day of February, 2015.

**JEFFREY C. JOHNSON**
Chairman

**ROWENA E. PEREZ**
Commissioner

**JOSEPH M. MCDONALD**
Commissioner

**FILOMENA M. CANTORIA**
Commissioner

**MICHAEL A. PANGELINAN**
Commissioner

**PETER MONTINOLA**
Commissioner

**ANDREW L. NIVEN**
Commissioner

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Public Utilities Commission
GUAM

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

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| IN THE MATTER OF: | ) | GPA DOCKET NUMBER 13-14 |
| | ) | |
| GPA Demand Side Management | ) | **ORDER** |
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## I. INTRODUCTION

This matter originated from the concerns of the Guam Public Utilities Commission ("GPUC" or "Commission") Chairman and the Commission Staff that in Guam Power Authority's ("GPA") environment of high fuel costs, the GPA has virtually no programs in place to provide incentives to its ratepayers to conserve energy. Other Atlantic and Pacific island utilities as well as vertically-integrated utilities on the U.S. mainland, both public power and investor-owned, have ongoing Demand Side Management ("DSM") programs in place. The Commission's desire is to have GPA take a more proactive role in creating and implementing effective DSM programs as part of GPA's integrated resource portfolio.

## II. BACKGROUND

GPA filed its 2013 Integrated Resource Plan ("IRP") with the GPUC on February 22, 2013. Lummus Consultants was asked by the GPUC to review the IRP. After engaging in discovery and collaborative discussions with GPA, Lummus Consultants issued its Letter Report and Appendix thereto on July 23, 2013, which included, specifically, observations relative to DSM. Subsequently, the GPUC requested that Lummus Consultants prepare a follow-up report that provided further information relative to DSM offerings in place in other jurisdictions, appropriateness and use of various cost-effectiveness tests, and a discussion and high-level screening of potentially viable DSM programs that could be implemented by the GPA. Lummus filed its report with the GPUC on July 2, 2014.

The GPUC issued an order on July 31, 2014 that included ordering provisions authorizing the Administrative Law Judge ("ALJ") to conduct further proceedings in this docket, with the goal of developing a DSM and EE program. Through these ordering provisions, the GPA was directed to:

1. Participate in a series of collaborative conferences between the GPA and Lummus Consultants, with the participation of the ALJ - these collaborative conferences would cover the topics of: first, DSM and EE objectives, direction, procedure, costs, timing, and other pertinent considerations; second, potential DSM and EE programs; and, third, specific proposals for screening and implementation.

2. Following these conference, by 120 days from the July 31, 2014 order, the GPA was to submit a DSM and EE Implementation Plan (Initial Implementation Plan) - this Initial Implementation Plan would establish (1) steps, a timeline, and milestones required for DSM and EE screening and implementation, and (2) an implementation plan for an initial set of measures to begin no later than one year from the July 31, 2014 GPUC order.

GPA contracted with Leidos to assist in the development of this Initial Implementation Plan. GPA and Lummus Consultants together held several collaborative conference calls between August 21, 2014 and October 9, 2014. Subsequent to these meetings, GPA, Leidos, and Lummus Consultants held several more collaborative



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conferences between October 31, 2014 and December 19, 2014 to develop the Initial Implementation Plan. The Parties requested, and were granted, a three-week extension on the filing deadline for the Initial Implementation Plan. GPA filed the Initial Implementation Plan on December 19, 2014.

The Initial Implementation Plan filing consisted of an 89-page final report, in addition to eight pages of appendices. The final report was structured as follows.

1. ***Introduction and Background*** - this initial section provided introductory language to explain the motivation for the development of the document (the GPUC July 31, 2014 order); this section then went on to chronicle the evolution of GPA's past DSM efforts, including a DSM implementation plan in 1994, GPA's 2008 and 2013 IRP planning process, and a 2012 analysis of residential DSM potential. Finally, this section makes reference to GPA's "Current DSM Activities", namely its participation in this DSM Docket 13-14, which was created as a result of Commission interest in efficiency and Lummus Consultants' review of GPA's 2013 IRP.

2. ***DSM Options to be Considered*** - this second section of the filing discussed, at a high level, thirteen different program types, including descriptions of what each program is, how each can be structured, how each can be delivered, and identifying those benefits that each have historically provided in other jurisdictions. The list of programs described in this section was primarily developed through discussion between GPA and Lummus Consultants in August and September 2014.

3. ***Goals and Anticipated Savings*** - this section provided a discussion of the overarching goals of a successfully deployed DSM program, followed by a discussion of potential peak demand and energy savings that included a description of technical, economic, and market potential within GPA's customer base. This section closed with a summary of DSM implementation by other utilities in island environments.

4. ***Four Initial Options Analysis*** – this section teed up several program options that the collaboration agreed could be implemented more quickly to provide immediate savings and interest. These potential programs addressed air conditioning, refrigeration, clothes washers, and clothes dryers. Each program was evaluated for cost effectiveness and Leidos-suggested investment levels were relied upon to develop the analysis. The collaboration spent time discussing appropriate approaches to establish avoided costs for this report, agreeing to use a blended approach that was intended to fairly value DSM initiatives while accommodating the schedule for report completion and the limitations and intricacies of the production cost model runs available. Although this blended approach should meet the goal of fairly evaluating the four program options being looked at as part of this initial analysis, it was agreed among the collaboration that this approach should not necessarily set a precedent for how future analyses would be conducted, but that refinements and improvements should be addressed early in the process to move forward with the broader DSM Program Plan recommended by this report[1]. This section of the report also discussed the multiple benefit/cost ratios calculated as well as the modeling required to achieve the evaluation of program cost-effectiveness. The refrigerator program was deemed unsuccessful at this stage while the air conditioner programs show strong benefits; the washer is a strong contender due in part to the inclusion of water savings – and from a program marketing perspective pairing efficient washers and dryers would likely produce better consumer response.

[1] The GPUC Order dated July 31, 2014, refers to this same next filing document as the DSM & EE Report".

5. ***Plan for Implementation*** – this section outlined a traditional approach to program development and implementation that is likely to be used to develop the next program filing document. This addressed analysis, matching of corporate goals with program selection, completing final cost-effectiveness testing, addressing any uncertainties, working with appropriate stakeholders, and finalizing the longer term approach to program implementation.

6. ***Detailed Implementation for Four Options*** – this section outlined the remaining steps that should be investigated prior to field implementation of the four options for early adoption, such as staffing, logistics, vendor training and contribution to field approaches, marketing and communication plans, tracking requirements, and measurement and verification of savings.

7. ***Budgeting and Cost Recovery*** – Leidos and GPA put together information about current cost recovery approaches in a number of jurisdictions with the intent of developing a collaborative recommendation. However, the parties were unable to complete this part of the effort in the time remaining and we agreed to address appropriate cost recovery as the first step in the next phase of this process, with the ALJ involved in those discussions.

8. ***Appendices***:

    a. *Appendix A, Cost-Benefit Model Pro Forma Output* – this section provided details of Leidos' benefit/cost model utilized during this process.

    b. *Appendix B, Project Implementation Schedule – this section proposed a schedule for the early implementation of the four programs recommended.*

Lummus Consultants filed an independent report with the GPUC on February 13, 2015 that described the activities that had transpired following the GPUC's July 31, 2014 order, including the collaborative process, results, and Lummus Consultants' independent findings.

## III. DETERMINATIONS

In accordance with the findings of Lummus Consultants' February 13, 2015 report, the GPUC makes the following determinations:

1. Ordering Provision 2 of GPUC order dated July 31, 2014, relative to the series of conferences to be held between GPA and Lummus Consultants, with participation of the ALJ, has been met.

The GPUC also determines that:

2. The following issues, likely due to their magnitude and complexity, which were partially addressed in the Initial Implementation Plan filing should be more fully addressed as part of the DSM & EE Report filing - (1) cost recovery, (2) avoided cost basis, and (3) how programs are to be implemented and managed (GPA or outsource, for example).

    a. GPUC indicates that GPA may be able to fund continued Leidos efforts in the GPA's current budget, but supports recovery of reasonable costs to complete the plan.

    b. Longer term cost recovery issues, such as for example incentives, programs costs, penalties, lost revenues, should be addressed early in the ongoing collaboration between GPA and Lummus Consultants with the participation of the ALJ.

## IV. ORDERING PROVISIONS

After careful review and consideration of the GPA Initial Implementation plan, consideration of the independent report of Lummus Consultants, and consideration of the above determinations, the Guam Public Utilities Commission HEREBY ORDERS that:

1. The ALJ is hereby authorized to continue to conduct further proceedings in this Docket. In such proceedings, the ALJ shall work collaboratively with GPA and Lummus Consultants to develop a long term DSM and EE program. The ALJ shall take such steps and measures as are necessary to determine the elements of such program and to implement the program. The final long term DSM and EE program shall be reviewed and approved by the PUC prior to implementation.

2. The following issues should be addressed expeditiously relative to their impact on the Initial DSM and EE Programs and shall be resolved via a recommendation to the GPUC as part of the DSM & EE Report filing - these issues include (1) cost recovery, (2) avoided cost basis, and (3) how programs are to be implemented and managed (GPA or outsource).

3. GPA is approved to move forward with implementing the four DSM and EE programs (Central AC, Ductless AC, Washer, and Dryer) that were analyzed and found to be cost-effective in the Initial Implementation Plan (Initial DSM ad EE Programs). GPA shall move forward expeditiously, particularly with regard to introducing programs to market not later than and preferably sooner than one year from the GPUC order on July 31, 2014.

    a. The GPA shall provide monthly reports to the GPUC, to the ALJ, and to Lummus Consultants on the progress to date relative to implementing and then managing these four Initial DSM and EE Programs.

    b. The GPA reporting shall allow for the GPUC to stay apprised of what is happening with the implementation and management of the programs, including specifically successes to date, issues to be addressed and associated resolution strategies, and program impacts metrics, including by program and technology implemented the monthly and cumulative: (1) number of participants, (2) energy saved, (3) demand savings, (4) program costs, (5) participant costs, and (6) program benefits.

4. As previously ordered on July 31, 2014, not later than 180 days after the date of this order, GPA shall submit a detailed longer term DSM & EE Plan and Report to the PUC that includes:

    a. DSM and EE measures considered and evaluated, transparency of details in the screening process, including but not limited to assumptions related to avoided costs, program costs, physical and operational characteristics of each screened program measure in Guam's environment and societal costs and benefits, as such data is available;

    b. Adjusted steps and timeline and milestones required for the implementation of each DSM or EE program measure;

    c. Proposed sources of funding;

    d. A monitoring and verification plan;

e. Other pertinent information.

5. The DSM & EE Report, as filed, should include sufficient information such that, upon GPUC approval, DSM and EE programs recommended within it can immediately move forward to implementation per the implementation recommendations defined in the DSM & EE Report.

6. The implementation development of the DSM & EE Report and efforts through actual implementation shall be an ongoing collaborative effort between GPA, the ALJ, and Lummus Consultants regarding suggestions, recommendations and exchange of ideas. GPA and Lummus, pursuant to the review and direction of the ALJ, shall continue to develop a method for recovery of reasonable costs by GPA for the development of the Plan.

7. GPA will report annually to the GPUC on the activities related to the DSM and EE implementation detailing by program and technology implemented the number of participants, the annual and cumulative energy saved, demand savings, program costs, participant costs, and program benefits.

8. 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 26th day of February, 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