

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

NAVY LEAC ISSUES

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) GPA Docket 10-02  
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ORDER

This matter came before the Administrative Law Judge [ALJ] upon the Complaint of the Department of Navy ["Navy"] filed herein on June 15, 2010.<sup>1</sup> There Navy alleged that there were various errors in GPA invoices for fuel charges, and that such charges had not been properly calculated in accordance with the Customer Service Agreement between GPA and Navy.<sup>2</sup> First, Navy submits that GPA has not calculated Navy's fuel cost in accordance with the required formula under Attachment III, Part 1 of the CSA. Rather than calculating the IWPS kWh production at the 34.5 kV [transmission] adjusted level for both Navy and civilian sales, GPA has used a 13.8 kV loss adjusted level for civilian sales [i.e. distribution level]. Second, the Navy objects to the inclusion of a fuel inventory adjustment or carrying charge by GPA in the Navy's fuel charge. Such fuel adjustment charge has previously been approved by both PUC order in Docket 07-10 (February 15, 2008) and subsequent LEAC proceedings. Third, Navy objects to the inclusion in its invoices of the costs of a wind study as a fuel handling cost. With regard to all three charges, Navy argues that Attachment III of the CSA requires that Navy only pay its proportionate share of GPA's actual fuel cost.<sup>3</sup>

Upon receipt of the Navy Complaint, the ALJ issued a Scheduling Order which found that the Complaint was properly before the PUC, as it alleged that GPA was violating the terms of the contract [the CSA] between Navy and GPA. The Complaint was found to satisfy the requirements of Rule 13 of the PUC Rules for Practice and Procedure by stating a *prima facie* case of alleged conduct in violation of a contract. GPA was ordered to reply to the Complaint, and a hearing was set for July 2, 2010.<sup>4</sup>

In its Response to the Navy Complaint, filed on June 25, 2010, GPA agreed with the Navy position that, under the GPA method of allocating fuel costs to the Navy, Navy

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<sup>1</sup> Navy Complaint filed June 15, 2010.

<sup>2</sup> Id.

<sup>3</sup> Id.

<sup>4</sup> Amended Scheduling Order, GPA Docket 10-02, issued by the ALJ on June 18, 2010.

had been paying for distribution losses, even though Navy is a transmission level customer.<sup>5</sup> GPA further indicated that in its June 2010 LEAC filing [Docket 02-04], it had made a billing adjustment to credit the Navy for the correct fuel allocation method. However, GPA did not agree that Navy should be relieved from charges related to GPA fuel inventory costs and the wind study, as both had been approved by the PUC as fuel and fuel related costs in LEAC proceedings.<sup>6</sup>

The parties appeared before the ALJ for hearing on July 2, 2010, at 10:00 a.m. Navy and GPA indicated that they were negotiating a Joint Stipulation of Settlement, and that the issues between them had been resolved. Based upon the representations of the parties, the ALJ is satisfied that a billing error was made by GPA, based upon its use of distribution level line losses in its calculation of the Navy billing charges. Attachment III to the CSA requires that GPA calculate Navy's Unit Fuel Cost based upon actual IWPS kWh production (loss adjusted to delivery at the 34.5 KV level).<sup>7</sup> Furthermore, in accordance with Section 19.3 of the CSA, the allocation of energy-related costs to Navy is set equal to the total of kilowatt-hours delivered to Navy divided by the total of all GPA kilowatt-hours delivered (all measured at or adjusted to the transmission level) times the total test year energy costs.<sup>8</sup> The parties further agreed that Navy would withdraw the issues in its Complaint concerning the GPA fuel inventory adjustment and the wind farm study.

The Joint Stipulation of Settlement was filed by the parties PUC later on the same date.<sup>9</sup> A copy of the Joint Stipulation of Settlement is attached hereto as Exhibit "A".

Having reviewed the pleadings of the parties herein, and having considered representations of the parties at hearing, and good cause appearing, the ALJ hereby ORDERS as follows:

1. The PUC should adopt and approve the Joint Stipulation of Settlement between Navy and GPA, a copy of which is attached hereto as Exhibit "A".
2. Navy billing should be adjusted to refund the amount of \$4,117,098.39 covering the period of October 2008 thru April 2010 to account for the

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<sup>5</sup> Guam Power Authority's Response to Navy Billing Dispute and Navy LEAC Issues, filed June 25, 2010.

<sup>6</sup> Id.

<sup>7</sup> Customer Service Agreement, Attachment III (Fuel Clause applicable to Navy Agreement).

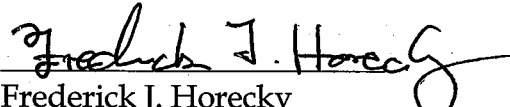
<sup>8</sup> Section 19.3 of the CSA.

<sup>9</sup> Joint Stipulation of Settlement, GPA Docket 10-02, filed July 2, 2010.

error in the calculation of Unit Fuel Cost. Future Unit Fuel Costs will be calculated using the methodology specified in Attachment III of the CSA.

3. GPA should credit the Navy with the amount of the refund indicated above in equal installments over a one year period beginning with the August 2010 invoice. In accordance with Section 28.9.3 of the CSA, the overcharge in a billing error will be computed back for a period of twelve (12) months. Navy initially brought the billing error in the October 2009 billing to the attention of GPA.
4. The billing credit agreed to by GPA to Navy should be included in the calculation of the LEAC factor effective August 1, 2010.
5. The contentions in Navy's Complaint regarding fuel inventory charges and the inclusion of the wind study as a fuel related cost are hereby withdrawn, in accordance with the Joint Stipulation.
6. GPA shall bear the regulatory costs and expenses of this proceeding, including the costs of hearing.

SO ORDERED this 12<sup>th</sup> day of July, 2010.

  
Frederick J. Horecky  
Administrative Law Judge

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF: )  
 ) GPA Docket 10-02  
NAVY LEAC ISSUES )  
 ) Joint Stipulation of  
 ) Settlement  
 )

This settlement agreement is hereby made between the Department of Navy (hereinafter Navy) and the Guam Power Authority (hereinafter GPA), collectively referred to as the "parties", to resolve a billing dispute arising under the Customer Service Agreement, Contract Number N62742-89-C-0201.

WHEREAS, the Navy has objected to the calculation of unit fuel costs, the inclusion of a charge for a Fuel Inventory Adjustment, and the costs of a wind study as a fuel cost in recent billings;

WHEREAS, the Navy has paid GPA the amounts billed by GPA pending resolution of the disputed bills;

WHEREAS, GPA maintains that it is not authorized to adjust its bills without the concurrence of the Public Utilities Commission due to required adjustments in LEAC rates approved by the Public Utilities Commission;

WHEREAS, GPA has proposed adjusting the Navy's billings to resolve, in part, the Navy's objections in its most recent LEAC filing;

WHEREAS, the Navy filed a complaint with the Guam Public Utilities Commission regarding fuel billings which has been docketed as GPA Docket 10-02;

WHEREAS, the parties seek to resolve the disputed billings to the mutual satisfaction of each and without further litigation;

NOW, THEREFORE, in consideration of the mutual promises and agreements of the parties hereto, each to the other, and other valuable consideration, the parties, intending to be legally bound, hereby agree as follows:


1. GPA agrees to adjust Navy billings to refund the amount of \$4,117,098.39 covering the period of October 2008 through April 2010 to account for an error in the calculation of the Unit Fuel Cost in accordance with Attachment III to the Customer Service Agreement which requires Actual Island Wide Power System kwh production to be calculated at the loss adjusted to delivery at the 34.5 kV level. GPA further agrees future Unit Fuel Costs will be calculated using the methodology specified in Attachment III.

Exhibit "A"


2. GPA shall credit the Navy with the refund in paragraph 1 in equal installments over a one-year period beginning with the August 2010 invoice.
3. The Navy agrees to withdraw its complaint relating to charges for the Fuel Inventory Adjustment and the inclusion of the wind study as a fuel related cost. Such withdrawal, however, shall be without prejudice to the ability of the Navy to contest these or other charges and costs that are reflected on or included in invoices received after the date of this agreement and shall not serve as precedent for the characterization of other costs to be billed to the Navy as fuel costs.
4. GPA agrees to provide the Navy prompt notice of any proposal to characterize a new type of cost, or recharacterize any existing cost as a fuel cost. The Navy shall be afforded the opportunity to comment on and submit its position to GPA and/or the Public Utilities Commission, consistent with its Rules, as appropriate.
5. The Parties agree that this is a complete and final settlement of the Navy's complaint docketed as GPA Docket 10-02 and neither party shall seek further relief, at law or equity, in connection with, or arising out of or incidental to the complaint to include any costs or attorney fees.
6. This agreement shall become binding upon the parties upon the issuance of an appropriate order of the Public Utilities Commission in this and/or LEAC Docket No. 02-04.

**SO AGREED, this date of 2 July 2010.**

**FOR THE DEPARTMENT OF NAVY**

  
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Richard J. Huber 7/2/10  
Counsel  
Naval Facilities Engineering Command  
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**FOR GUAM POWER AUTHORITY**

  
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