GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
SEPTEMBER 24, 2013
SUITE 202, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 7:05 p.m. on September 24, 2013, pursuant to due and lawful notice. Commissioners Johnson, Perez, McDonald, Pangelinan, and Montinola 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 August 27, 2013. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the minutes subject to correction.

**2. Port Authority of Guam**

The Chairman announced that the next item of business was PAG Docket 12-02, PAG's Transshipment Analysis, and ALJ Report. Counsel indicated that this matter involved the crane surcharge which the Commission previously approved. In the prior Order there was a requirement that the Port submit a report on transshipment. The issue is that there is a different charge for the transshipment rate. When goods are brought into the Guam Port, they are offloaded and transshipped to other islands. For transshipment, there is a 50% discount. Senator Ada has raised the question of whether this discounted transshipment rate pays for the full cost of the transshipment, including wharf fees, fuel, depreciation, insurance, etc.

Senator Ada had requested that the PUC include a provision in its crane surcharge Order requiring that the Port assess whether the transshipment fees were actually paying the full price for the cost of transshipment. The PUC did order that the Port provide such a study by the end of August of this year. The Port submitted a study which was conducted by Parsons Brinckerhoff. According to the Port, the study shows that the transshipment fees are appropriate; even with the 50% discount, all the costs and expenses of transshipment are adequately covered. The Port fears that, if the transshipment fees are raised, it would adversely affect the business of the Port.

ALJ Mair indicates that the report from PAG has now been referred to PUC Consultants Slater, Nakamura. In the near future, Slater, Nakamura will report back to the PUC, and ALJ Mair will then issue any necessary recommendations.

### 3. Guam Waterworks Authority

The Chairman announced that the next item on the agenda was GWA Docket 13-01, Petition of GWA for Rate Relief, ALJ Status Report. Counsel indicated that the Commissioners were aware that GWA has already filed its Multi-Year Rate Petition. The Petition has been referred to the PUC Consultants, Lummus. Lummus has been working with GWA to review the proposed rate increases. According to the ALJ, Lummus is working to minimize the rate increases for ratepayers. GWA and Lummus are now working towards a final stipulation.

In the meantime, the ALJ has set public hearings on the Multi-Year Rate Petition for October 17 and October 18 in accordance with the Ratepayer Bill of Rights. The public will be invited to comment on GWA's proposed rate increases.

### 4. Guam Power Authority

The Chairman indicated that the next matter for consideration by the Commissioners was GPA Docket 11-09, GPA's 2014 Base Rate Filing (Phase II), ALJ Reports on Rate Issues and Proposed Net Metering Tariff, and Proposed FY2014 Rate Decision. The Chairman stated that the Net Metering would be handled first because of the attention to that issue at the public hearings. Counsel was requested to first address the Net Metering issue and proposed Tariff C. Counsel stated that there was a comprehensive net metering report prepared by ALJ Mair. For the record, Counsel recused himself from addressing this issue. ALJ Mair's Report covers GPA's Proposed Schedule C, which would the change the manner in which net metering is presently billed.

Currently, when a net metering customer produces power, the customers are given a 1-for-1 credit on the power bill. If the customer produces as much power as used, the bill would be zeroed out. The credit is 1-to-1. GPA's position is that the net metering customers do not pay for the full cost system that is incurred in connecting into the power grid, such as GPA's costs for maintaining the meters and the connection of solar customers to the power grid. GPA says that the net metering customer is receiving a windfall benefit that other customers don't receive. The net metering customers are being subsidized by the other paying customers. Schedule C proposes to change the current credit: if the Schedule is adopted, net metering customers would receive the amount of their kWh usage times the LEAC rate. Fuel charge or LEAC rate on the power bill is approximately 70% of the bill. So, if GPA's proposal were accepted, the net metering customer would receive a 70% credit for each kWh produced rather than 100%.

There were substantial numbers of public comments at the public hearings. All of the public comments, other than those of GPA representatives, were universally against the Schedule C proposal of GPA.

The ALJ Report summarizes the laws enacted by the Guam Legislature. Those laws attempt to create an environment where private investors in renewable energy will be encouraged. The laws seek to stimulate the growth of the renewable industry. GPA contends that at least 15 other jurisdictions do not compensate net meterers the full retail rate for the net excess generation. GPA states that it is not collecting the variable component on the energy rate for net meters; not only is GPA forgoing the variable element but also the fixed component of the rate by giving the subsidy to the net meter customers. GPA seeks to recover the full value of what's being provided to the net metering customers. GPA believes that the more net metering customers there are, it will adversely affect GPA's revenues.

PUC Consultant Georgetown Consulting Group, Inc. also submitted testimony; its conclusion was that most jurisdictions support continuing to give the full 1-to-1 credit for kilowatts produced through the net metering. 36 out of 46 jurisdictions employ the use of a full retail credit for net excess generation provided to the Grid. In discovery responses, GPA estimated that there are currently 77 net meter customers, including all classes of customers. Georgetown pointed out that, in the current Net Metering Rider, there is a requirement that GPA annually provide certain information to the PUC about the numbers of net metering customers, the total amount of generation that the net metering customers provide, and the excess generation that goes back to GPA. Under the Rider, customers accrue credits for generation which are carried over from month to month. However, the carryover is only up to one year. At the end of the year, the customer loses the excess generation that it has provided to GPA. There is a question about the benefits that GPA receives from the excess generation.

Georgetown found that the present approach in Guam is in accord with that of other jurisdictions; the current approach does accomplish the legislative goals of encouraging renewable energy. Georgetown is concerned about a lack of information, a point also made by the ALJ. The ALJ points out that there is not much information on how much energy is provided though net metering and what the excess is. GPA has not provided such information. GPA indicates that, hopefully with the implementation of smart meters, it will be in a better position to produce sufficient information. The current Net Metering Rider states that the present system [i.e. 1-to-1 credit] will remain in effect until there are at least 1000 net metering customers. GCG has recommended that the current Rider provisions remain in effect. GPA has not, according to GCG, provided evidence that indicates the interim net metering rider is not performing exactly as the PUC and Guam policymakers had intended. The current rate is stimulating the renewable industry in Guam.

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Reviewing a number of smaller jurisdictions akin to Guam, i.e. American Samoa, Puerto Rico, Virgin Islands, and Washington D.C., the ALJ found that the protocols in effect in those jurisdictions are similar to that in Guam now, with some exceptions.

During the hearings, representatives of the solar industry were particularly concerned that the adoption of Schedule C would have a detrimental impact on the industry. It would require a reduction of jobs in the industry and would provide a disincentive for businesses to become involved in the industry. It would hurt business and potentially reduce the benefits from renewable energy. The ALJ felt that, at the present time, there is no concrete evidence to show that the current Net Metering Rider should be departed from. GPA does not have sufficient information on the amount of renewable energy being produced or the credits provided. GPA has not provided its required annual reports. The ALJ concluded that there was a widespread concern that the proposal would kill or destroy a fledgling solar industry and discourage consumers from using solar energy. Finally, the intent of the Legislature was clear that it intended to encourage private investment in renewable resources. The proposed Schedule, according to solar industry advocates, will be contrary to the legislative intent. The ALJ finally concluded that there was insufficient evidence in the record to subject the interim rate to PUC revocation at this time. He recommends that Schedule C be rejected.

Chairman indicated he would allow a representative from the solar providers group [GREA] to speak for a few minutes on the subject of Schedule C. Jeffery Voacolo, the President of the Guam Renewable Energy Association, agreed to make a presentation. He indicated that the members of the Guam Renewable Energy Association are small business owners on Guam. Small business is a vital part of the economy. The success of such businesses is essential to economic growth and prosperity in the Guam community. Small businesses create jobs and are needed. GREA is going to train people for the solar industry, which is a new growth industry. The profits developed in the renewable energy industry will stay here on Guam.

Voacolo asked the members of GREA to stand to introduce certain members of the organization. The members have invested capital in the renewable energy industry on Guam. Members are concerned with the government of Guam's energy footprint and getting this new vital industry off and running. In Guam there are no government incentives. The industry is built utilizing federal tax incentives and, as a part of the industry's sustainability, it has relied upon GPA's fair compensation for the retail rate of energy sold to the grid. Retail rate is fair compensation. GPA is not viewed as an adversary but as a partner in energy. The industry commends GPA for allowing GREA to hold a working lunch with it to work through net metering and other issues. This group will be ongoing. Solar energy on the grid is a substantial benefit and it will be for many years to come.

Joaquin Flores, the General Manager for the Guam Power Authority, also spoke. In net metering there has to be fairness to all customers. Some customers do not pay the full cost for their energy. The remaining customers have to bear that cost. Basically there is a surcharge for all customers who cannot afford net metering. Present net metering policy could lead to a rise in rates. It is not necessarily correct that neighbors of customers of net metering benefit from the energy that is delivered by net metering, particularly during nighttime use and during periods of rain. Perhaps there should be a fixed component in the net meter customer charge to recover some of the fixed cost.

GPA does not intend to affect the existing contracts, the 77 net metering contracts in place. Those contracts would be grandfathered for the full 1-to-1 offset with no change. GPA wishes to compensate net metering with delivery of energy into the grid at its fair value, not at its retail value. GPA is trying to promote renewables, such as in its Phase I project where GPA will generate 35 megawatts of renewable energy. These Projects do not serve a particular customer or a particular net metering customer. GPA buys power from Quantum and PGR, the LEAC rate is reduced for everyone - everyone benefits in a non-discriminatory manner. GPA is assisted by deferring some of its variable costs for all customers. On smart meters, GPA will be able to accurately track the impacts from net metering. It will be a challenging problem to deal with the fixed costs of the system.

Mr. Flores does not believe that Guam is comparable to the 36 jurisdictions that provide a full retail rate. Some jurisdictions have fully divested their generation and don't have any fixed cost for generation. Some Utilities do not build transmissions systems. For Guam, a specific analysis profile needs to be looked at carefully with these net metering requirements. GPA is already in the hole for subsidizing investments for those who can afford net metering on the rooftops. Ratepayers are being asked to subsidize further the costs for net metering. Everyone needs to know what the consequences could be down the road from the current net metering policy.

The Chairman commended both GPA and GREA for getting together and starting to talk. He anticipates that such talks will continue in the future. However, the Chairman indicated to the GPA General Manager that the PUC was supposed to be receiving annual reports to measure some aspects of net metering. But, the PUC hasn't received any annual reports. The PUC would like information on all of this. The Chairman requested that the PUC receive an annual report on April 1 of the next year. The Chairman believes that the net metering industry is an interesting and healthy industry which is employing a lot of people. He commends the industry and the involved participants.

Commissioner Perez had reviewed concerns in the testimonies that, if Schedule C was put into place, there would be an impact on the businesses and employability in the renewable industry. She asked how many of Guam's community members were in the workforce of the renewable industry. Mr. Voacolo indicated that there were well over 100 people employed in the industry, perhaps even 150. It has grown very quickly. GREA was formed four months ago and already has 23 member companies on board. Mr. Lynn Scott of GREA indicated that the key is to look at the timeframe. Solar is a 60 year old technology, it is only really getting to Guam now in 2013. The reason is that rates have gotten to the point where customers have had enough; they will sacrifice other parts of their lives to make the power bill go away or go down. The company he is with has experienced a tremendous growth in sales over the past few years. Over the last four years the companies have grown from employing a handful of employees to now perhaps 150. The Trades Academy is instituting a class to train people how to install systems. GPA's proposal would now basically knock the industry down by 30%.

It would be very difficult for the industry to keep employing people and keep businesses running if that occurred.

Commissioner McDonald asked whether anyone knew, with similar markets, what the penetration of net metering was. Mr. Scott indicated that GREA has the numbers but not with them tonight. Such numbers can be supplied. He indicated that all states have some net metering. Mr. Voacolo stated that GREA would attempt to convince GPA that net metering is a benefit to the grid, not a liability. The Chairman indicated that the net metering issue should not be included in rate cases in the future. It is an important enough matter to require its own special docket. At present, if the net metering customer is over producing, at the end of the year that customer cannot carry over the benefit to the next calendar year. That is a benefit to the grid overall, to other customers and to GPA. This is a growing industry which is starting to employ quite a few people and paying taxes on Guam. They do get the 30% tax credit by setting up the system, but they are employing people and putting taxes into the system.

It is hard to know how this balances out unless the PUC has more information. Right now the Commission just doesn't have very much information, quite honestly. Commissioner Montinola asked whether the discussion now was just for Schedule C. The Chairman said that it was. Legal Counsel indicated that the proposed Order for the rate case includes a few provisions relating to net metering. There is only one order for the rate case, but a few specific paragraphs address net metering. Upon motion, seconded and unanimously carried, the Commissioners disapproved Schedule C and adopted those provisions of the FY2013 rate decision that addressed the subject of Schedule C and net metering.

The Chairman announced that the next matter for consideration before the Commissioners was GPA Docket 11-09, which dealt with the Proposed FY2014 Rate Decision. Counsel indicated that there was a lengthy ALJ Report before the Commissioners; he will not repeat everything in the Report but will go through some of the highlights. In terms of the public hearings, probably all of the public testimony was against the rate increase. People were upset because they were trying to cut down on the use of appliances, but the power bill still seems to increase. People are also required to divert resources from family and entertainment, and taking care of children, to the power bill.

PUC Consultant Georgetown Consulting Group and GPA gaged in a lengthy discussion as to what the proper revenue requirements were for GPA for FY2014. After a lengthy process of discovery, formal testimony, pre-hearing conferences, and discussions, the parties hereto have arrived at a Stipulation. That Stipulation has been described in the ALJ Report. GPA, in its case filing, initially sought an increase of approximately 2.2% on the overall bill or 7.3% on the base rates. The increase would have produced additional revenue of $10.938M. Conversely, GCG recommended half of the increase, in an amount of 1.1% and revenue of about $5.2M. Through negotiation, the parties came to the Stipulation. Where they have ended up is that there should be an additional revenue requirement for FY2014 of $9.08M. That would be an average of 6%

on base rates or an overall average increase of 1.9% on the total bill. This does not mean that every customer would see a 1.9% increase. That is the overall increase. To determine the effect on each customer class, that customer class would specifically have to be examined.

The parties have agreed to a reduction of 10 fulltime employee equivalent positions for the test year. GPA had originally proposed roughly 553 positions, but has reduced that to the area of 543. The parties have allowed for an approximate additional $400,000 for a COLA increase recently approved by the Legislature for retirees. The parties agreed to a subordinate debt coverage ratio of 1.38x. Mr. William Blair from GCG pointed out that the senior debt coverage was 2.2x. Counsel further indicated that the parties both have "rate design" experts, and there was considerable discussion about the rate design issues. In general, over the past few years, there has been a movement by GPA towards "rate parity", where each class should bear responsibility for the actual cost of service that it utilizes. Initially there have been subsidies to certain classes, such as the residential; such class was subsidized primarily by the commercial and government classes, who are paying more than their fair share. The recent movement in rates has been to taking these subsidies out. It is a gradual process.

GPA is also agreeing that it will move towards actual customer cost for each class of civilian and Navy customer through the use of smart meters. In some instances, GCG felt that the movement towards rate parity should be a little slower for some of the demand customers such as the commercial customers. There is some easing in the movement of rate parity in the residential class by linking it to the commercial and street lighting rate schedules. The Consultants have agreed to a more gradual increase in some of the demand charges for the demand classes. The demand charges will now go on a graduated basis over the next few fiscal years, as is set forth in the Stipulation.

There has also been a movement in the life line rates to do away with the subsidy. The life line rate is not based on need, it is not income based. It was a reduced rate available to everybody. When the Legislature first enacted it, the life line rate was supposed to be at an 80% level of the cost. The life line block charge will be reducing incrementally over the next three fiscal years. With private lighting and street lighting rates, there was a basic agreement that GPA would soon file with the Commission a proposed tariff for the LED lighting. That summarizes the main agreements that were reached. The Navy was not a part of the Stipulation.

Mr. Blair pointed out that GCG had attempted to mitigate and moderate the magnitude of some of the increases for classes of customers. Counsel then proceeded to cover the contested issues. Navy was attempting to argue that a portion of the emergency water well generator revenues could be assigned to it, since a portion of the charges for those generators were already assigned to it for cost of service. Navy requested that approximately 18% of the emergency water well revenues be assigned to it. The ALJ had two basic problems with the Navy's argument. The first was that the Utilities Services Agreement with GPA states that if you can specifically assign revenues to a particular class of customers, that's what you do in the first instance. Second, with these emergency water well surcharges, the Navy does not pay for them. They are all paid for by civilian customers. Under the Utilities Services Agreement, you can assign the revenues from the emergency water wells to the civilian classes. The impact of this issue on Navy is approximately $400,000. Navy's argument was not convincing.

Navy further argued that if these revenues were not assigned to Navy, then production costs for the emergency water well generation should also not be assigned to Navy. If Navy does not receive the revenues, it argues it should not be charged the costs. However, nothing in the record ever identified what those production costs were, and how much Navy is paying for them. The final recommendation on this matter by the ALJ indicated that if Navy wished to bring up the argument about production costs in the future, it could do so; it would then present evidence as to what the costs were. The ALJ recommendation is that the Commission not side with the Navy position; all revenues from the emergency water well generators should be assigned to the civilian classes because those classes are the ones that bear the cost.

The second issue concerned the subordinate debt service coverage ratio. Previously the Commissioners already affirmed a 1.4x coverage ratio, in 2010. Senior debt coverage ratio is now close to 2.2x for this rate case; the PUC standard is 1.75x. The Commission approved the 1.4x debt coverage ratio for subordinate debt with the 2010 bonds, and then earlier this year with regard to the self-insurance fund. Subordinate debt service coverage ratio does have a rate impact. If the ratio is at 1.4x, it will be a higher rate impact than if it were at 1.3x. GCG felt that the Commission could go with 1.3x coverage for subordinate debt coverage ratio. However, its testimony did not include a showing that such a debt coverage service ratio was appropriate, sufficient, or accepted in the industry. Lowering the ratio might well be a way to reduce rates to a certain extent, but there was nothing in the testimony that actually supported 1.3x.

The ALJ felt that the Commission had already established a coverage ratio for the subordinate debt. For a number of reasons, the 1.4x subordinate debt coverage ratio should be maintained. GPA submitted a memorandum titled the "Financial Memorandum" prepared by Black & Veatch. B & V stated that the ratio is important to the rating agencies when GPA goes up for a bond issuance. Rating agencies would take into account the current subordinate debt service coverage ratio. If the ratio were reduced, it could be viewed in a negative context. The main concern of the ALJ was that there is a big risk to reduce the subordinate debt service coverage ratio. The ALJ is being conservative, airing on the side of caution. But there is also a possibility that if you reduce the rate down to 1.3x, the credit rating agencies could treat that as a negative factor and it might be negative when GPA goes for another bond issuance. These issues do matter to the ratepayers. With regard to the 2012 bond restructuring and refinancing that GPA did, GPA was able to secure a relatively good result, mostly because it had upgrades in its credit ratings. These upgrades reduced the amount that ratepayers had to pay long term for those bonds.

It is a little dangerous for the Commission to tinker with the coverage ratio that has already been established. It could work to the detriment of ratepayers in the future.

GPA will likely go out for a bond issuance again. The Commission is not necessary encouraging more debt, but sometimes GPA does have to incur debt.

Thus, changing the subordinate debt coverage ratio could potentially affect GPA in an adverse manner. GCG has pointed out that the existing subordinate debt expires in 2015; however there could be more subordinate debt borrowed by GPA. The Commission should be prudent and not change the existing debt service coverage ratio. The currently adopted rate of the PUC, which is 1.4x, should be maintained.

Counsel then proceeded to briefly cover the rate decision. In the "Determinations" section of the Decision, the Commission would find that the ratepayer bill of rights requirements for public hearings have been complied with; the Stipulation would be approved. The parties did make an effort to mitigate the rate increase. There are a couple of discreet issues that drive the need for a rate increase. One is a loss in sales and loss of revenues that GPA has experienced – roughly $6M. The general trend in sales is down. This causes a deficit in revenue requirements. There is also the issue of payment of interest on the bonds. A period of capitalized interest on the 2010 bonds is ending this year, and an amount in the neighborhood of $10M is coming due as interest. The COLA Increase for retirees has also had an impact on the rate increase. There has been a showing through the Stipulation that GPA needs the revenue amounts indicated for FY2014.

One of the Determinations does point out that the Commission does consider ratepayer impact by having the public hearings, by taking into account what are just and reasonable rates. A just rate is one that the consumer should pay based on the existing cost of the service. The rate design changes previously discussed are included in the Decision. According to the Decision, the emergency water well generator revenues would be allocated only to the civilian customers. The Debt Service Coverage Ratio for subordinate debt would be maintained at 1.4x, although the debt service coverage ratio agreed to the parties in this case is 1.38x. Net metering was already discussed, and the provisions in the Decision addressing that issue have already been approved. In the Ordering Provisions, the Stipulation would be approved, and an overall revenue requirement increase of 1.9% on the total bill would be approved for meters read after October 1. That is a $9.038M additional base revenue requirement. The Commission would find that the rate changes and increases are just and reasonable. The Reports of the ALJ on the rate case and on the net metering issue will be approved and adopted. The design and cost allocation recommendations will all be approved. Also, the reconnection fees for residential smart meters that GPA has requested would be approved.

Commissioner Perez asked about the reconnection charge, whether there was an increase of $10.00, or a total of $35.00 for the reconnection charge of the smart meters. CFO Wiegand of GPA indicated that actually there was a decrease. A portion of the reconnection fee was $25, but GPA was reducing it to $10. CFO Wiegand indicated that the language in the order "in addition" should be stricken – as the total reconnection charge is $10. The Chairman asked whether the smart meters now give GPA the ability to reconnect in 24 hours. CFO Wiegand indicated that GPA still has to call someone to do the work. The Chairman asked whether GPA was concerned that, with smart meters, most consumers have the ability to see what their usage is on a daily basis, there would be a push for more conservation. The CFO and the GM of GPA indicated that that was a part of the goal. CFO Wiegand indicated that as soon as the E-Portal system was in effect, customers can see their usage online. The Chairman indicated that he was all in favor of conservation, but that would be a part of GPA's attempting to control its fixed costs too. Does GPA sees that when there is a rate increase, there is a 30% or 40% impact on conservation by residential users? CFO Wiegand indicated that it was not that high. GPA really only sees a pullback if there is a double digit LEAC increase. GM Flores indicates then it rebounds. The Chairman asked why there was such a disparity between the debt service coverage ratio and the senior debt service coverage ratio. CFO Wiegand indicated that it relates to the refinancing last October where GPA brought its debt service down, so that pushed the coverage up. CFO Wiegand indicated that the senior debt was at an interest rate of 4.39% whereas was the subordinate debt is at 7 ½%, so the interest cost for the subordinate debt is higher. Mr. Blair of GCG indicated that the subordinate debt is scheduled to be paid off in a couple of years.

Commissioner Perez asked what the value was of the overall expenditure reduction for 2014. CFO Wiegand indicated that GPA went from a $10.9M increase to a $9M increase; so it's about $1.9M in cuts that GPA is making. Commissioner Perez asked what cuts, other than the 10 fulltime employees, would be made from GPA's obligations. CFO Wiegand indicated that there could be contract cuts and other methods of doing GPA credit card fees. Mr. Blair of GCG indicated that the monetary value of the 10 fulltime employee positions was $700,000. The Chairman asked whether GPA's rating was favorable with all three agencies at this time. GM Flores indicated that Standard and Poor and Fitch reaffirmed GPA's credit rating. GPA is presenting to Moody's in October for its rating for the year. CFO Wiegand indicated that Moody's rating was Triple B Minus; Fitch was Triple B Minus and Standard and Poor's is Triple B. GM Flores indicated that Cabras 3 is now online.

Commissioner Montinola asked what was the revenue decrease indicated by the GPA study. CFO Wiegand indicated that, for budget purposes, GPA had to operate as though it had $6M less. In response to Commissioner Montinola's question, CFO Wiegand indicated kilowatt usage went down. Commissioner Montinola indicated that GPA, at a previous meeting, had stated that there were customers on slow meters and fast meters. He wondered how many customers were on slow meters versus fast meters. CFO Wiegand indicated that GPA could have a 2% tolerance on its meters. GPA found that some meters were outside the 2% on the positive side and some were outside the 2% on the negative side. GPA hoped for a revenue increase from the more accurate meters. However, GPA was seeing additional revenues, but 90% of it was being offset by the losses GPA was having.

It's a very small revenue gain that GPA is seeing as a result of the meters on the residential customers. In some instances where the commercial meters have had a significant increase, but GPA cannot yet project what will happen. Commissioner Montinola asked if this meant that the slow and fast meters were washing each other out. CFO Wiegand indicated that there were more slow meters than fast, such that 90% of it was washing out. GM Flores indicated that it was also an issue of larger customers verses smaller customers. Commissioner Montinola indicated that he has a slow meter, and he wonders how many other customers are affected whereby they had to pay an additional 30% for power.

The Chairman asked about the $27M borrowing for 10 years on senior debt. The CFO indicated that the borrowing was a "moving target." It will be a direct sale of bonds. It will be opened up to either of the current GPA underwriters and also local banks via bid. CFO Wiegand indicated that the maximum term will be five years, and the first two years will be at 3% interest. The Chairman asked whether it would go up after the first two years. CFO Wiegand indicated that it would. The idea of this financing was to get GPA through FY15, when it would issue its next bond. This was just interim debt to get GPA to that point so that an interest rate is set that would incentivize GPA to take out the loan after the two year period is up. CFO Wiegand further indicated that GPA was attempting to get this loan within the next couple of months.

The Chairman asked if part of the financing would pay for the environmental costs for the peeking units, $5.5M, and the Smart Grid Project overruns. The CFO confirmed that the costs would be paid from the financing, and there were 17 projects. The Chairman asked whether GPA had received all or most of the money from DOE, the $17M on the Smart Grid Project. CFO Wiegand indicated that most of the money had been received. GPA will make sure that it has all of it by the end of the year. Commissioner Pangelinan asked whether GPA could give examples of demand charges that were adjusted by the parties to avoid the disproportionate impact across different classes of ratepayers.

CFO Wiegand indicated that GPA did not have examples within a class, but that he could provide certain numbers to summarize. GPA initially set the demand charges to recover 30% of the costs through the demand charge. The result was that some very low use customers were seeing huge increases in their bills and high use customers were seeing reductions in their bills. So, GPA adjusted the demand charges to recover 10% of GPA's costs. In the rate case, GPA initially sought to increase the demand charges from 10% to 15%; however, after negotiating with GCG, GPA ended up agreeing to a 13% increase. The Chairman pointed out that in Phase I, it was Class J, the small business class, that got high increases - they were heavily impacted. The Chairman pointed out that Commissioner McDonald had been the first to identify this problem in Phase I. Commissioner Montinola asked some questions on the demand charges for the first 500 kilowatts of usage per month on Schedule G. CFO Wiegand indicated that he would have to check on this matter of Schedule G. Commissioner Montinola asked whether GPA had calculated the total percentage increase of the total bill for residential customers for those who only use 500 kWh per month. CFO

Wiegand indicated that it would be just over 7%. The Chairman confirmed that 10,000 of GPA's customers were at the 500 kWh power usage level at the present time.

The Chairman indicated that Legal Counsel should delete "in addition" language concerning reconnection fees for smart meters. The Chairman also stated that the ALJ's recommendations with regard to Schedule C had already been adopted. Schedule C has been denied. The Chairman asked about the "rollback credit." Counsel clarified that the PUC had previously approved a rollback credit with regard to the GPA bond restructuring and refinancing; the credit terminates at the end of this fiscal year. A discussion ensued concerning GPA's disconnection policy. The Chairman raised a question about the status of the opt-out program. GM Flores indicated there were 50 or 60, and CFO Wiegand said it was about 75 now.

Commissioner Perez again clarified that the total reconnection fee for smart meters was just $10 for same day service. CFO Wiegand confirmed that was correct. The Chairman also instructed Legal Counsel to take out from the decision the word "additional" in paragraph three. Commissioner Montinola indicated that this rate increase was a "hard pill to swallow, but a necessary one." He moved to approve based upon the changes, the removal of "in addition to $25.00." The Chairman further stated that the word "additional" in paragraph three would also be deleted. The Chairman asked for a second to the motion. The Chairman then indicated that there was no second to Commissioner Montinola's motion, so it was essentially finished at this point in time.

As an alternative, the Chairman suggested the possibility that the PUC would adopt the 1.3x subordinate debt coverage service ratio suggested by GCG. GPA's CFO Wiegand indicated that this was a $4M issue. The Chairman stated this would mean that the $9M rate increase sought by GPA would go to $5M. Legal Counsel pointed out the position of GPA's consultant Joseph Trainor, who stated that reducing the debt service coverage ratio to 1.3x would not automatically result in a $5M reduction in GPA's budget. There was also the issue of days of cash that GPA should be given. GPA seeks to move towards the goal of 60 days of cash. The service coverage is not necessarily the only driver. There are other variables. Counsel suggested another possible alternative was to retain the 1.4x debt service coverage ratio, and the Commission, as a compromise, could allow the parties to achieve a lower standard in this case. The Chairman pointed out that that was being agreed to with the 1.38x in the Stipulation in this case for subordinate debt service coverage ratio. Mr. Blair of GCG indicated that GCG's position was that GPA had stipulated to a position that would have resulted in a 1.31x this year for subordinate debt service coverage ratio if everything had come out at projected. So, GPA could live with that ratio.

Commissioner Pangelinan suggested that perhaps Georgetown and GPA could get together to see if there was a way in which they could bring down the rate increase. GPA Legal Counsel Botha suggested that GPA could present a work session for the PUC to explain the components in the rate increase. The capitalized interest is over on the bonds and a certain minimum of rates is needed to pay the extra bond interest. Interest is quickly coming due. GM Flores indicated that a considerable amount of effort was involved in the rate design issues. The design and transmission level cost of service are truly revenue neutral. There are a significant amount of subsidies that need to be corrected.

CFO Wiegand indicated that there are no employee increments in this budget. Counsel stated that the Stipulation between the parties did not have a provision for employee increments or merit increases, even though those are required by law. Bill Blair suggested that if the Commissioners delayed implementation of the rate case, the Commission would face a compression issue. GM Flores also emphasized that there was $26M in projects that are urgently needed, that can only happen with short term financing. If this were not approved, GPA would not have the revenue requirements required to do the projects, such as Cabras overhauls. The liability of the power stations may be jeopardized. Mr. Gabe Simon, a representative of a very large consumer of power, indicated that while his company wishes to keep power rates low, small, incremental increases are better than getting to the point where a substantial increase would hit the ratepayer.

Commissioner Perez suggested that perhaps there should be an extension of this matter with a work session with GPA. The matter could be tabled. Commissioner Montinola pointed out that this could lead to a higher bill increase. The Chairman indicated that if this matter were tabled for a month, there could be a compression of rates on the bill. Commissioner Pangelinan then stated that while he had a concern about reducing the rate increase, these additional comments had made him more comfortable with supporting the rate decision as is. Commissioner Montinola renewed his motion to approve the Rate Decision. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Stipulation and proposed rate increase, and adopted the FY2013 Rate Decision made *Attachment "B"* hereto.

The Chairman announced that the next item on the agenda was GPA Docket 13-11, Petition to Approve the Contract with Tristar Terminal Guam for Fuel Storage Agreement for GPA. This matter had been on the agenda for a few meetings. Counsel stated that, at the last meeting, Commissioner Pangelinan had requested that the Commission obtain more input on the reasonableness of the Storage Agreement, and that the matter be referred to PUC Consultant Lummus. The other agreements, the Pipeline Agreement and the Dock Facility Agreement, had already been approved by the PUC. Lummus has now provided a timely report. Their basic conclusion is that GPA does not have much choice other than to enter into a contract with Tristar for the fuel storage. Lummus agreed that the initial increase of 20% was probably reasonable based upon industry standards. The real concern Lummus had was with the 4% inflation factor. Lummus indicated that the 2012 inflation factor was 3.2%, and this year it seems to be going lower. While suggesting that the present storage agreement could be approved, Lummus felt that, in future contracts, the PUC should consider the assumption of the automatic cost of living increase in the agreement. Another option would be to correlate the annual increase in the agreement to the actual Consumer Price Index. They recommend that the Fuel Storage Agreement be approved.

Counsel has redrafted a Supplemental Order which takes the findings of Lummus into account. The Order would also provide that for any future contract reviews of the Tristar Agreements, Tristar would be required to provide additional information concerning the assumption of a 4% annual cost of living increase. Another provision in the Order would require GPA to consider alternatives to the storage agreement as a part of its long term planning process.

Mr. John Dennett of Tristar indicated that he had drafted the memo on the rate increase; there were a couple of components to the rate increase. One was inflationary items, as Tristar has been operating at a loss under the contract. The increase up to $4.40 per barrel will make Tristar whole at the end of five years. The Port Authority currently charges $13.00 per barrel. The GPA charge is below that for any other of Tristar's customers. The inflation factor is better than trying to figure out the math behind the CPI out of Honolulu. The aggregate figures just give us a break even on the contract.

Mr. Dennett thanked the Commissioners for an opportunity to address the Commission. Commissioner Perez asked GPA whether it was agreeable to accepting the 4% cost of living automatic increase. GM Flores indicated that GPA would rather have certainty than to try to predict the future. The contract locks in inflation figures. Commissioner Montinola asked whether the 20% increase was already included in the rate case. GM Flores indicated that it was included in the LEAC. Upon motion duly made, carried, and unanimously approved, the Commissioners approved the Fuel Storage Agreement between GPA and Tristar, and adopted the Order made *Attachment "C"* hereto.

**5. Administrative Matters**

The Chairman announced that the next matter for consideration was "Administrative Matters". The PUC Counsel indicated that with regard to the PUC Administrative Budget for FY2014 the first step is for the Commission to address the annual administrative budget. That budget was approved by the PUC Budget Committee. The total amount for the FY2014 Administrative Budget is $429,700.00. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Administrative Budget for FY2014.

Counsel then explained that the next matter for consideration by the Commissioners was the Assessment Order. The Assessment Order approves the allocation of administrative fees to the different utilities and regulated telecom companies. The Commission takes the entire budget of $429,700 and divides it among GTA, GPA, GWA, PAG, and Guam Solid Waste Authority. These are five overall entities, so that each of these bears the expense for the next year of $85,940.00. That is just administrative fees. Regulatory cases are billed separately and are not included. The administrative fee portion for the telecom companies are subdivided among the individual companies according to such company's use of PUC services and regulatory dockets over the last fiscal year. This is determined by PUC Rule.

The administrative fee portion for each telecom company is based upon its respective percentage of the total regulatory fees for the prior year. Since there was little regulatory work in the telecom area over the past year, the fees for telecom companies only go to GTA and Docomo, and GTA bears 81.51% of the total fees and Docomo 18.49%. Based on these figures, GTA would pay $70,049.69 and Docomo would pay $15,890.31. The purpose of the Assessment Order is to make sure that the Commission has sufficient fees and resources to perform its administrative function. Commissioner Montinola asked whether GTA paid $30,000 last year, and is now being asked to pay $70,000 this year. Administrator Palomo indicated that GTA paid about $50,000 last year. Counsel explained that this calculation is based upon the PUC Rule regarding apportionment of telecom fees. Commissioner Montinola asked if the Guam Telecom / Docomo fee was going from $6,000 to $15,000, more than double. Counsel indicated that it was. Actually this is a combined fee for Guam Telecom and Docomo. Commissioner Montinola asked whether this was for the land line service only. Counsel indicated that it is. But, it also includes the sale of Guam Telecom to Docomo, that is why there was an additional regulatory proceeding.

Commissioner Perez asked whether PDS had paid its fees. Counsel indicated that it had not. Commissioner Perez indicated that further action will need to be taken with regard to PDS. Counsel indicated that PDS has not paid for the fees in a number of regulatory dockets, including a number of them brought by PDS. Commissioner Pangelinan indicated that he would abstain from voting on this Assessment Order because Docomo is his client. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the FY2014 Annual Assessment Order, a copy of which is made *Attachment "D"* hereto.

Counsel indicated that the next matter relates to procurements that the PUC did for Legal Counsel, Administrative Law Judge, and Consultant. The Commissioners have signed the evaluations and rankings that were done for each of those procurements. For ALJ, David Mair and Joephet Alcantara were selected; for Legal Counsel, Frederick J. Horecky was selected; and, for Power/Water Consultant, Slater, Nakamura & Co. was selected. Contracts have been prepared for each of the selected contractors. Counsel indicated that he has drafted a Resolution approving the retention of Legal Counsel, ALJ, and Consultant for the PUC (Resolution 13-04). It sets forth the procurement process undertaken and includes the selection by the Commission of the aforementioned contractors for the ALJ, Legal Counsel, and Consultant positions. Once the Resolution is signed, Administrator Palomo will advise the selected contractors of Notice of Final Award. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the selection through Resolution No. 13-04, which is made *Attachment "E"* hereto.

As an additional matter, Counsel indicated that there was a need to extend the PUC Consultant on Port Authority matters [i.e. Slater, Nakamura] for an additional year. Resolution No. 13-05 would extend the PUC Port Authority Consultant for an additional year. Upon motion duly made, seconded and unanimously carried, the

Commissioners approved the renewal of the PUC Consultant on Port Authority matters for an additional year through Resolution No. 13-05, which is made *Attachment "F"* hereto.

Counsel indicated that he had a discussion with the Georgetown Consulting Group; there is a possibility that GCG could finish the pending projects that it is working on, including GPA Docket 13-07 (Short Term Bond Financing) and the Net Metering / LED Lighting Docket. Commissioner Perez and Chairman Johnson felt that it was a good idea to have GCG continue with existing dockets. Commissioner Pangelinan clarified that Lummus Consultants also assisted PUC with power and water issues. Commissioner Pangelinan then indicated that the PUC has both Slater, Nakamura and Lummus as its water/power consultants. The Commissioners favored continuing to use GCG where appropriate.

Counsel indicated that the next matter before the Commissioners was approval of the Services Agreement for PUC Administrator for FY2014. The prepared Agreement would continue Ms. Palomo in the position of Administrator for an additional year. She has served as Administrator since October 11, 2002. In response to Commissioner Montinola's question, Administrator Palomo indicated that she did desire to continue for another year. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Services Agreement for Ms. Palomo for an additional year.

Counsel indicated that there was an additional Resolution 13-06, which would authorize PUC Legal Counsel to serve as an Administrative Law Judge in matters involving GPA, Telecom, and Solid Waste. Resolution is pursuant to 12 GCA §12002 (d), which states that Legal Counsel of the Commission may also serve as an Administrative Law Judge. Upon motion duly made, seconded and unanimously carried, the Commissioners approved Resolution No. 13-06, which is made *Attachment "G"* hereto.

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

for Jeffrey C. Johnson
Chairman

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
SUITE 202, GCIC BUILDING
414 W. SOLEDAD AVE. HAGATNA, GUAM
7:00 p.m., September 24, 2013

Agenda

1. Approval of Minutes of August 27, 2013,

2. Port Authority of Guam
   - PAG Docket 12-02, PAG's Transshipment Analysis, ALJ Report

3. Guam Waterworks Authority
   - GWA Docket 13-01, Petition of Guam Waterworks Authority for Rate Relief, ALJ Report

4. Guam Power Authority
   - GPA Docket 11-09, GPA's 2014 Base Rate Filing (Phase II), ALJ Reports on Rate Issues and Proposed Net Metering Tariff, Proposed FY 2014 Rate Decision
   - GPA Docket 13-11, Petition to Approve the Contract with Tristar Terminals Guam Inc. for Fuel Storage Agreement for GPA, Lummus Consultant Report, and Proposed Order

5. Administrative Matters
   - FY2014 Administrative Budget/Annual Assessment Order
   - Approval of Contracts, RFP Nos. 001-FY13, 002-FY13, and 003-FY13: Legal Counsel, Administrative Law Judge, PUC Consultant
   - Renewal of Port Consultant Contract
   - Renewal of PUC Administrator Contract
   - Draft Resolutions and Proposed Letters

6. Other Business

Attachment A

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Public Utilities Commission
GUAM

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

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| IN THE MATTER OF:<br>GUAM POWER AUTHORITY'S FY 2014<br>BASE RATE FILING | GPA Docket 11-09<br><br>FY13 RATE DECISION |

*Background and Procedural History of this Docket*

1. On April 26, 2013, GPA filed its Petition for Approval of an FY2014 Base Rate Increase which would commence on meters read on or after October 1, 2013. The base rate increase would be 7.3%. This increase would constitute a 2.2% increase on the total bill. If granted, the base rate increase would result in additional base revenues for GPA of $10.9M in FY2014.

2. GPA also requests adoption of four rate design proposals as part of its Filing: (1) Increasing Kilowatt based demand rates; (2) Increasing the customer charge on all rate schedules, except for the Residential rate schedule (ordered in GPA Docket 11-[illegible]); (3) Moving residential and commercial rates closer to rate parity as determined by the cost-of-service study; and (4) Introducing a decoupling rate mechanism for possible future implementation (by ALJ Order, rate decoupling will be considered in a separate docket and not as a part of this rate case).

3. Some of the specific changes include, effective October 1, 2013: increase of the Residential Customer Charge from $10.00 to $11.00; elimination of the Customer Roll Back Credit; and implementation of Reconnection Charges for Residential Smart Meters.

4. For Reconnection of Residential Smart Meters due to Non-payment, there will be a $10.00 charge for Reconnection due to Non-Payment outside of regular business hours, there will be an additional $10.00 charge.

5. GPA requests adoption of a "Net Metering Tariff". GPA was required to adopt a "Net Metering" Program pursuant to Public Law 30-141 for customers generating renewable energy. GPA states that the GPUC adopted an interim net metering rate which provided for a one for one KWh trade for all energy fed into the grid. For every KWh going from the customer to the grid, the power bill reflects 1 KWh being credited to the bill.



**ATTACHMENT B**

6. GPA contends that a "one-for-one" credit means that the utility is not only foregoing the variable component of the energy rate but is also foregoing the fixed component of the rate. GPA proposes the adoption of "Rate Schedule C." Such schedule would apply to all ratepayers with the ability to generate power and deliver that power to the GPA Distribution system.

7. For all power generated at the establishment, the credit under Rate Schedule C would be based on measured KWh delivered to GPA's distribution system multiplied by the LEAC rate.

8. As a part of its rate case, on June 18, 2013, GPA filed a Petition requesting PUC approval of a "Tax Exempt Commercial Paper Program" up to $30 Million, including a Letter of Credit facility [GPA Docket 13-07]. However, on July 31, 2013, GPA filed an Amended Petition. There, GPA indicated the finding of its Bond Counsel that, due to bond indenture provisions, a commercial paper program is "unfeasible at this time." GPA now proposes to issue senior lien bonds in the amount of $27 Million, to be sold through a private placement with Barclay's for a term of ten years, at a short term [24 month] interest rate not to exceed 3%. Such program would be used as a financing vehicle for urgent projects in the next several years prior to bond issuance.

9. GPA asserts that, without the use of Commercial Paper, the base rate could be higher. Funds would be used for environmental costs of $5.5M for ten peaking units to meet US EPA air quality regulations, Smart grid Project cost overruns, Cabras 1 & 2 overhauls/repairs, and numerous other specified capital improvements projects.

10. However, said financing has not yet been approved by the Guam Legislature. It is not addressed by the Stipulation of the Parties in this matter and is therefore not a part of this Decision. The PUC can subsequently address issues involving this short term financing at such time as it is approved by the Legislature and properly brought before the PUC.

11. On June 20, 2013, the Administrative Law Judge ["ALJ"] conducted a scheduling conference in this Docket for the purpose of the scheduling of discovery, submission of testimony, prehearing conferences, the evidentiary hearing, and other matters related to the resolution of this proceeding.

12. At a result of the discussions at the hearing, and the agreement of the parties, the ALJ adopted a schedule for these proceedings.

13. In the Scheduling Order issued June 20, 2013, the ALJ ruled that certain issues would not be considered as a part of the FY2014 Base Rate proceedings, but would be deferred for later consideration or as matters in separate dockets, including Financial Targets set forth in the FMP; Long-Term Equity Ratio; Revenue Decoupling; and AED Cost Allocation Methodology.

14. In the conduct of these proceedings, the parties closely adhered to the ordered Schedule. Discovery was conducted by the parties and testimonies were filed with the PUC in accordance with the Schedule.

15. On September 11, 2013, the ALJ conducted a Prehearing Conference. The purpose of the hearing was to advise the ALJ of the status of negotiations between the parties. The parties (GPA, Navy, and GCG) presented argument and position statements concerning a number of issues, including: revenue requirements for GPA for FY2014; the appropriate subordinate debt service coverage ratio (which GCG argued was 1.3x and GPA contended was 1.4x); and whether GPA's net metering tariff should be adopted.

16. In accordance with the Ratepayer Bill of Rights, three public hearings were conducted on September 12 and 13, 2013, at Hagatna, Agat, and Dededo. A summary of the public comments and testimonies is set forth in the ALJ Report filed herein. Public testimony overwhelmingly opposed a rate increase.

17. At the "evidentiary" public hearing conducted in Hagatna at the GCIC Building on September 12, 2013, GPA and Georgetown Consulting Group ("GCG") presented an oral stipulation concerning GPA's revenue requirements for FY 2014. The Stipulation provides for a 6% increase on base rates and 1.9% average increase on the total bill. The rate increase would provide GPA with an additional $9.038M in revenue.

18. On September 18, 2013, GCG, GPA, and Navy filed a written Stipulation with the PUC, which Stipulation is made "*Attachment A*" hereto.

19. On September 20, 2013, the ALJ issued his Report herein, which report includes proposed findings on two contested rate issues: the Allocation of Other Revenues-

Emergency Generator Water Well Service, and the Subordinate Debt Service Coverage Ratio. Also, on September 20, 2013, ALJ Mair issued his Report Re: Net Metering.

*Stipulation*

20. The Parties to the written Stipulation are GCG and GPA. Navy is not a signatory. The Stipulation provides GPA with a base revenue increase of $9.038M. The increase would be effective October 1, 2013. There would be an average increase of 6% on base rates or an overall average increase of 1.9% on total bills.

21. The Agreement to provide for a base rate increase was entered into by GCG, the Independent Rate Consultant to the PUC, and GPA, after a detailed examination of the GPA FY2014 test year revenues. The increase was agreed to after substantial negotiations.

22. The Parties agreed that the revenue increase is necessary to meet GPA's financial obligations for FY2014. A number of deductions were made to the revenue requirements originally proposed by GPA. In addition, the original increase proposed by GPA [2.2% overall] has been reduced to 1.9%.

23. The Parties have also made numerous recommendations concern Cost Allocation and Rate Design. These proposed changes are fully set out in the Stipulation and the ALJ Report. The recommendations are jointly proposed by the rate design experts of GCG and GPA, and were also arrived at after substantial discussion and negotiation. In general, these changes are designed to support the movement of ratepayer classes toward "parity". The purpose is to ensure that each ratepayer class pays the cost of the power which it uses.

24. The Parties have agreed that GPA will shortly file with the PUC a proposed Tariff for LED (Light Emitting Diode) Streetlighting.

25. The Parties were not able to reach agreement on GPA's proposed Net Metering Tariff and that issue was referred to the ALJ for resolution.

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*Determinations*

26. GPA has complied with the requirements of the Ratepayer Bill of Rights in this Docket.

27. GPA has conducted a Staffing Study [completed in April of 2013 by Baker Tilly, which study has been reviewed by the PUC. This Study complies with the requirements of 12 GCA §12001.2(d).

28. The Stipulation of the Parties, which is made *Attachment A* hereto, should be approved.

29. The PUC adopts the findings and recommendations contained in the ALJ Report filed herein on September 20, 2013, and the ALJ Report Re: Net Metering also filed herein on September 20, 2013.

30. In accordance with the Stipulation, and the calculations of the parties therein, GPA should be awarded an overall 6% base revenue requirement increase, or a 1.9% average increase on the total bill, for meters read on and after October 1, 2013. The increase will provide GPA with additional base revenue of $9.038M for FY 2014.

31. GPA has demonstrated that there are certain drivers which have necessitated a base rate increase: a decline in revenues experienced by GPA due to a loss in sales, and the capitalized interest payment for GPA's 2010 Bond Issuance will be fully utilized at the beginning of FY 2014. There have also been unexpected costs, such as the legislative mandate for the COLA increases for retirees.

32. The Parties, including PUC's Independent Rate Consultant, have thoroughly reviewed the proposed rate increase and recommended its adoption. There was also substantial discussion and negotiation between the Parties, which led to a reduction of the rate increase originally proposed by GPA.

33. The PUC, in approving rate increases, including the increases herein, does consider both the impact upon ratepayers as well as the need of the utility for revenue requirements. PUC is also obligated to ensure that GPA's rates are sufficient to enable the utility to meet its financial obligations, operating expenses, debt service and capital improvement needs (12 GCA §12004). On the other hand, the PUC does not accept all proposed increases by GPA, but seeks to ensure that ratepayers are

not burdened with any unnecessary increases. PUC must consider whether rates are "just and reasonable." Here PUC's consultant negotiated a reduction of 10 FTE's (full time equivalent employees) in GPA's proposed 2014 expenditures, as well as numerous other expenditure reductions.

34. The PUC should approve and adopt all of the cost allocation and rate design recommendations of GCG and GPA as contained in the Stipulation. The proposed changes in Customer Weighting Factors are designed to ensure that GPA's Cost of Service studies are accurate and that each customer class bears its appropriate cost.

35. All of the rate design proposals by GCG and GPA are designed to move the class revenue requirements for Residential, Commercial and Street Lighting rate schedules toward "parity", with allocated costs of service by rate schedule. These "Parity Adjustments" for FY2014, FY2015, and FY2016 are "revenue neutral" and do not affect the overall revenue requirements for GPA. They do impact the portion of the overall revenue paid by each customer class.

36. The PUC should support and adopt the efforts of GPA and GCG to protect smaller and lower-load factor customers within the Demand- Metered Commercial and Governmental Rate Schedules against inordinately large percentage increases in their charges for electric service. There should be a phased implementation of demand charge increases for the next three fiscal years based upon the agreed schedule.

37. The Residential Lifeline Block charge should be adjusted in accordance with the Stipulation of the Parties.

38. GPA should make a filing in the near future with the PUC with regard to LED Street Lighting, which will include rates to be charged for LED street lights, and a position statement on the development of cost-based maintenance-only charges for LED street lights that are purchased directly by the customer or separately financed by the customer through GPA.

39. GPA should be authorized to set its fees for Reconnection of Residential Smart Meters due to Non-payment in accordance with those requested in its Petition.

40. The PUC adopts the findings, and reasoning of the ALJ concerning his recommendation that no portion of Other Revenues-Emergency Water Well should

be allocated to the Navy. The revenues from the Emergency Water Well Service can be specifically assigned to Civilian Ratepayers. No amount of these revenues is paid to GPA by the Navy.

41. As to Navy's contention that no production costs for the emergency water well generators should be assigned to it, it has not presented any legal authority or basis for that proposition. There is an insufficient factual basis in the record for PUC to determine what the production costs are for the emergency water well generators. However, Navy should be allowed, if it so chooses, to present argument in future rate proceedings that the production costs for the emergency water well generators are not properly allocated to it.

42. The PUC adopts the findings and reasoning of the ALJ concerning his recommendation that the current Subordinate Debt Coverage Ration adopted and maintained by the PUC of 1.4x should not be changed to 1.3x. The preponderance of evidence in the record establishes that the current SDCR standard should not be changed.

43. Credit Rating Agencies consider GPA's SDCR in setting its rating; the PUC does not believe it prudent to take an action which could adversely affect GPA's current investment grade credit rating. According to the FINANCIAL MEMORANDUM, any downgrade in GPA's rating would increase the principal and interest cost that ratepayers would have to pay on future bond issuances.

44. To the extent feasible, and consistent with established rate making principles, PUC should seek to assist GPA in maintaining its financial health and strength.

45. The PUC adopts the findings, and reasoning of the ALJ concerning his recommendation that GPA's proposed "Schedule C" Net Metering Tariff be rejected. GCG has demonstrated that there is no evidence provided by GPA that the current interim Net-Metering Rider isn't performing exactly as the GPUC and Guam policy makers anticipated or that there are any unexpected consequences from its operations. The intent of the Guam Legislature is 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 (P.L. 27-132).

46. According to GCG, GPA currently has roughly 77 net metered customers. The Interim Net Metering Rider approved by the PUC indicates that PUC would review the issue of whether a limitation should be imposed by Guam on the aggregate "at such time as the number of customer-generators availing themselves to the 'net metering' tariff approaches one-thousand (1,000) customers..."

47. To date, GPA has been unable to provide any estimates of the amount of credits to net metering customers, or the numbers of customers with any net excess generation. There is insufficient evidence on the record to subject the interim rate to PUC revocation at this time.

48. The majority of jurisdictions appear to implement the one-for-one retail credit, including smaller jurisdictions similar in size to Guam, like American Samoa, Puerto Rico, U.S. Virgin Islands, and Washington D.C. The Interim Net Metering Tariff should remain in place until such time as GPA can propose a cost and methodology that adequately supports a change in the current rate scheme.

49. The Commission should determine that the proposed rates, as well as the recommendations, set forth in the Stipulation are "just" and "reasonable" pursuant to 12 GCA §§12015 and 12017.

50. The parties should be ordered to perform any additional agreed upon obligations as set forth in the Stipulation.

*Ordering Provisions*

After careful review and consideration of the above determinations, the Report and Recommendations of the ALJ, the testimonies presented at public hearings and on the record herein, the Stipulation, and the record herein, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission hereby **ORDERS** that:

1. All rulings and orders of the ALJs in this proceeding are confirmed and ratified. All motions not heretofore granted or denied are denied.

2. The Stipulation of the parties, made *Attachment A* hereto, is approved.

3. In accordance with the Stipulation, GPA is awarded an overall 6% base revenue requirement increase, or a 1.9% average increase on the total bill, for meters read on and after October 1, 2013. The increase will provide GPA with additional base revenue of $9.038M for FY2014.

4. All of the determinations contained in the Stipulation are approved; the parties are instructed to fully implement such determinations and rate relief in accordance with such determinations. The parties shall take all steps necessary to fully carry out and implement such determinations. They shall perform all acts necessary to implement the relief set forth in such determinations, and shall undertake all duties and obligations agreed to in the Stipulation.

5. The proposed rate changes and increases set forth in the Stipulation are "just" and "reasonable" pursuant to 12 GCA §§12015 and 12017 and are approved.

6. The ALJ Report, filed herein on September 20, 2013, and the ALJ Report Re: Net Metering, also filed herein on September 20, 2013, are hereby approved and adopted. The PUC adopts the findings, reasoning, conclusions, and recommendations set forth therein.

7. GPA has demonstrated that there are certain drivers which have necessitated a base rate increase, including: a decline in revenues experienced by GPA due to a loss in sales, and that the capitalized interest payment for GPA's 2010 Bond Issuance will be fully utilized at the beginning of FY 2014. There have also been unexpected costs, such as the legislative mandate for the COLA increases for retirees.

8. All of the cost allocation and rate design recommendations of GCG and GPA, as contained in the Stipulation, are approved.

9. GPA shall make a filing in the near future with the PUC with regard to LED Street Lighting, which will include rates to be charged for LED street lights, and a position statement on the development of cost-based maintenance-only charges for LED street lights that are purchased directly by the customer or separately financed by the customer through GPA.

10. GPA is authorized to set its fees for Reconnection of Residential Smart Meters due to Non-payment in accordance with those requested in its Petition.

11. No portion of Other Revenues-Emergency Water Well is allocated to the Navy in this proceeding. There shall be no change in the allocation of production costs for the emergency water well generators in this proceeding. However, Navy will be allowed, if it so chooses, to present argument in future rate proceedings that the production costs for the emergency water well generators are not properly allocated to it.

12. The current Subordinate Debt Coverage Ration adopted and maintained by the PUC of 1.4x shall not be changed to 1.3x for the reasons set forth in the ALJ Report and the Determinations herein.

13. In accordance with the ALJ Report Re: Net Metering, GPA's proposed "Schedule C" Net Metering Tariff is hereby rejected. There is insufficient evidence on the record to subject the interim rate to PUC revocation at this time. The Interim Net Metering Tariff should remain in place until such time as GPA can propose a cost and methodology that adequately supports a change in the current rate scheme.

14. 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 24th day of September, 2013.

Jeffrey C. Johnson
Chairman

Joseph M. McDonald
Commissioner

Rowena E. Perez
Commissioner

Peter Montinola
Commissioner

Michael A. Pangelinan
Commissioner

BEFORE THE
PUBLIC UTILITIES COMMISSION OF GUAM

| | | |
|---|---|---|
| IN THE MATTER OF: | | DOCKET 11-09 |
| GUAM POWER AUTHORITY'S 2011 MULTI-YEAR BASE RATE FILING (TEST YEAR FY2014) | ) ) ) ) ) ) | STIPULATION RE FY2014 REVENUE REQUIREMENT AND RATE DESIGN ISSUES |

The GUAM POWER AUTHORITY ("GPA") and GEORGETOWN CONSULTING GROUP, INC. ("GCG"), which serves as an independent regulatory consultant to the GUAM PUBLIC UTILITIES COMMISSION ("PUC") (the "Parties"), hereby stipulate as follows:

**Background**

1. GPA petitioned the PUC for a base revenue increase of $10.938 million for the fiscal year starting October 1, 2014 (the test year being FY2014). According to GPA, such a revenue increase would require an average increase in base rates of 7.3% or an average increase of 2.2% on total bills.

2. After reviewing and analyzing GPA's petition, in accordance with and subject to the instructions of the PUC's Administrative Law Judge ("ALJ"), GCG submitted testimony recommending adjustments to certain of GPA's revenue requirements for the test year. In its testimony, GCG recommended an increase in base revenues of only $5.238 million, which, if approved, would result in an average base rate increase of 3.5% or 1.1% on total bills.

*Attachment A*

3. The ALJ conducted a pre-hearing conference on Wednesday, September 11, 2013, at which the Parties discussed the outstanding issues and argued their respective positions. (The Navy, which is an intervener in this docket, also participated in the pre-hearing conference, but is not a party to this Stipulation, which does not address the single issue raised by the Navy.) The ALJ encouraged the Parties to meet and confer and attempt to resolve or narrow the remaining issues.

4. GPA and GCG representatives thereafter did meet and confer and were able to resolve most, but not all, of the differences in their respective positions. As a result, the Parties orally presented their joint recommendations to the ALJ at the evidentiary hearing which took place on the evening of Thursday, September 12, 2013.

5. This Stipulation is intended to memorialize the Parties' agreement and their joint recommendations.

**Revenue Requirements**

6. The Parties recommend the following to the ALJ and the PUC for the test year FY2014:

A. GPA should be awarded a base revenue increase of $9.038 million. This requires an average increase of 6% on base rates or an overall average increase of 1.9% on total bills. The impacts on the different classes of ratepayers will vary depending on various factors, including the continuing gradual implementation of rate design changes previously approved by the PUC in Phase I of this docket. The rate increases for some classes of ratepayers will be greater than 1.9%, while the increases for other classes will be less.

B. The wage expense sought by GPA in its petition should be reduced by $726,000, representing the expense reduction related to a reduction of 10 FTEs in the test year.

C. GPA's working capital allowance should be reduced by $158,000 and its beginning cash balance reduced by $658,000.

D. GPA's non-labor expense should be reduced by $663,000; however, this reduction should be offset by an increase of $400,000 to cover the impact of increases in the retiree cost of living allowance recently enacted into law which GPA is required to fund. This results in a net recommended reduction of GPA's non-labor expense of $263,000.

7. If these adjustments are approved by the PUC, GPA's debt service coverage ratio ("DSCR") for its senior debt would be 2.20x for the test year, which is in excess of the PUC standard for ratemaking purposes of 1.75x. The DSCR for combined senior and subordinate debt would be 1.38x. This subordinated DSCR is less than the 1.43x originally sought by GPA in its petition, but greater than the 1.31x advocated by GCG in its testimony.

8. Notwithstanding the compromise reflected in paragraph 7 above, there is still no agreement between GPA and GCG as to what the appropriate target for the DSCR on combined senior and subordinate debt should be for ratemaking purposes. In Phase II of this docket, the Parties agreed on the method of computation for the DSCR for senior and subordinate debt, which was approved by the PUC. The Parties were allowed in this phase of the docket to continue to argue their respective positions with regard to what the appropriate coverage standard should be. GPA continues to recommend that the PUC

affirm the 1.4x DSCR standard for ratemaking purposes as ordered in Phase II. GCG continues to believe that a lower DSCR of 1.3x would be more appropriate. It should be noted that GPA's subordinate debt service in the test year will be$15.333 million out of a total debt service of $40.647 million, and the existing subordinate debt is scheduled to be paid off in October 2015. Given their continuing disagreement on this issue, GCG and GPA agree that the matter should be referred to the ALJ for a decision and recommendation to the PUC, based on the existing evidentiary record.

9. Exhibit A attached hereto summarizes the agreed adjustments.

**Rate Design Issues**

10. **Cost Allocation Issues**

A. Customer Weighting Factors

i. The Parties agree that GPA will provide new customer weighting factors for use in the TLCOSS and CCOSS in GPA's next multi-year base rate proceeding.
ii. The newly developed customer weighting factors will include, but will not be limited to, the influence of GPA's deployment of Advanced Metering Infrastructure (AMI) on customer-related costs for Navy and for each class of civilian service.

**B.** GCG and GPA agree on the allocation of Emergency Water Well and Other Revenue. GCG and GPA proposed for the purposes of this proceeding, and without precedent for subsequent proceedings, that GPUC accept the allocation of Other Revenue within the TLCOS, including the allocation of Emergency Water Well revenue.

11. **Rate Structure Issues (Rate Design)**

A. Class Revenue Requirements

i. Both GPA and GCG support movement of class revenue requirements for Residential, Commercial and Street Lighting rate schedules toward parity with allocated costs of service by rate schedule. Parity Adjustments agreed upon under this Stipulation address FY 2014, FY 2015, and FY 2016 revenue requirements by rate schedule.

ii. The agreed upon Parity Adjustments for FY 2015 and FY 2016 will apply only to the Residential, Street Lighting and the Commercial rate schedules. This stipulation will be revenue neutral for GPA.

iii. The Parity Adjustment for the Residential class for each fiscal year addressed by this Cost Allocation and Rate Structure Stipulation (i.e., FY 2014, FY 2015 and FY 2016) will be calculated based on 10 percent of the computed FY 2014 revenue for Commercial and Street Lighting rate schedules.

iv. The increase in the Residential revenue requirement for each year that results from the Parity Adjustment will be offset by decreases in the revenue requirements for the Commercial and Street Lighting classes. The allocation of decreased revenues will be in proportion to the amount by which the revenue for each Commercial and Street Lighting rate schedule exceeds the fully allocated costs of service for the class.

B. GPA's Proposed Rate Design for Non-Demand Commercial and Governmental Rate Schedules: The Parties agree to implementation of the rate design changes that GPA has proposed for Rate Schedules S and G.

C. Rate Design for Demand-Metered Commercial and Governmental Rate Schedules (i.e., Rate Schedules J, K, L, and P).

i. The Parties agree that smaller and lower-load factor customers within each rate class warrant protection against inordinately large percentage increases in their charges for electric service.

ii. The Parties agree to implement the Customer Charge increases that GPA proposes for Rate Schedules J, K, L, and P for FY 2014.

iii. The Parties agree to implement the changes in energy rate block changes that GPA has proposed for Rate Schedules J, K, L, and P, as well as the Initial Energy Block charges that GPA proposes for each of those rate schedules.

iv. Both GPA and GCG support a phased implementation of demand charge increases for FY 2014, FY 2015 and FY 2016 based on the following schedule of demand charge increases:

| | | |
|---|---|---|
| i. | FY 2014 | 33% over FY 2013 levels |
| ii. | FY 2015 | 25% over FY 2014 levels |
| iii. | FY 2016 | 25% over FY 2015 levels. |

v. After implementing the agreed FY 2014 customer charge increases, the agreed upon energy block structure changes, the agreed upon initial energy block charges, and the agreed upon demand charge increases for FY 2014, 2015 and FY 2016, the balance of the revenue requirement for each fiscal year for each rate schedule will be recovered through the tail block energy charge.

D. Rate Design Residential Rate Design: The Parties agree that the language of paragraph 27 of the May 7, 2012 Stipulation, which states:

> "Between 2012 and 2016, the subsidy in the Lifeline Block would be progressively decreased until, in 2016, the Lifeline Block would equal 80% of the "Tail Block Charge" (i.e., the charge for all kWh use in excess of 500 kWh per customer per month) … in FY 2014, the Lifeline Block Charge will equal 60% of the Tail Block Charge; in FY 2015, the Lifeline Block Charge will equal 70% of the Tail Block Charge; and in FY 2016, the Lifeline Block Charge will equal 80% of the Tail Block Charge."

The parties agree that GPA Residential class revenue requirement resulting from this proceeding such that the Residential Lifeline Block Charge will equal precisely 60% of the resulting Residential Tail Block Charge in FY 14, equal precisely 70% of the resulting Residential Tail Block Charge in FY 15, equal precisely 80% of the resulting Residential Tail Block Charge in FY 16.

E. Private Lighting and Street Lighting Rates (Street Lighting) for LED Lights:

i. The Parties agree that presently there are Light Emitting Diode ("LED") street lighting fixtures on GPA's system for which there are no appropriately applicable rates, and it is anticipated that the number of public and private LED street lights is expected to increase significantly in the foreseeable future.

ii. The Parties agree that charges for LED street lighting fixtures should be reflective of GPA's costs of providing service to such lighting fixtures which are not reasonably approximated by GPA's present rates for street lights.

iii. The Parties recognize that municipalities have expressed desires for both greater use of LED street lights and more total street lights.

iv. GPA represents that it is currently developing a plan to address the municipalities concerns and will be making a separate filing relating to increased use of LED street lights, financing an expansion of the number of LED street lighting fixtures deployed for municipalities, and rate to be charge for LED street lights within the few months.

v. GCG is supportive of GPA's efforts in this area, and agrees that the provision of expanded LED street lighting at a cost of services based rates, which include the capital cost of new LED street light installations, the revenue to cost ratio consistent with each street lighting class and estimated O&M costs (including fuel costs) for the applicable size and type of LED Street Light, is consistent with the public interest.

vi. The Parties agree that GPA's planned filing with respect to LED Street Lighting will include a position statement on the development of cost-based maintenance-only charges for LED street lights that are purchased directly by the customer or separately financed by the customer through GPA.

**Net Metering**

12. GPA and GCG have not reached agreement on GPA's proposed changes to Schedule C, GPA's Net Metering tariff. Given their continuing disagreement on this issue, GCG and GPA agree that the matter should be referred to the ALJ for a decision and recommendation to the PUC, based on the existing evidentiary record.

**Navy Issues**

13. Navy did not participate in the discussions and negotiations leading up to the agreed recommendations made in this Stipulation. There is one unresolved issue related to Navy. GPA and GCG have taken the same position with regard to that issue.

**SO STIPULATED** this 18th day of September, 2013.

**GEORGETOWN CONSULTING GROUP, INC.**

BY: **BLAIR STERLING JOHNSON & MARTINEZ**
A PROFESSIONAL CORPORATION

BY: William J. Blair
**WILLIAM J. BLAIR**
*Attorneys for Georgetown Consulting Group, Inc.*

**GUAM POWER AUTHORITY**

BY: D. Graham Botha
**D. GRAHAM BOTHA**
*Legal Counsel*

ATTACHMENT: EXHIBIT A

# GPUC Docket 11-09
($000s)

Exhibit A
Exhibit GCG-1

Date:
Public Utilities Commission of Guam

Test Year: 2014
Individual Responsible:
Georgetown Consulting Group

| Row # | Description | GPA Phase 2 Proposed FY 2014 (A) | Labor Adjustment (B) | WCF Rate Decrease (C) | Working Capital (D) | Other O&M (E) | TECP (F) | Barclay (G) | Target Subordinate (H) | GCG Phase 2 Proposed FY 2014 Sum A-H |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | % Increase on Total Bill | 2.3% | | | | | | | | 1.9% |
| 2 | | | | | | | | | | |
| 3 | **Proforma Income Statement:** | | | | | | | | | |
| 4 | Existing Base Rate Revenues | $ 150,181 | | | | | | | | $ 150,181 |
| 6 | Fuel Revenues | 323,664 | | | | | | | | 323,664 |
| 7 | Addl Revenues from Smart Grid Implem. | 4,142 | | | | | | | | 4,142 |
| 8 | WCF Surcharge | 7,954 | | (1,039) | | | | | | 6,915 |
| 9 | Miscellaneous Revenues | 2,010 | | | | | | | | 2,010 |
| 10 | Revenue from Allowed Rate Change | | | | | | | | | |
| 11 | % Of Base Rate Revenue | 7.3% | | | | | | | | 6.0% |
| 12 | Number of Months Rate Change Effective | 12 | | | | | | | | 12 |
| 13 | Amount of Additional Revenues | 10,938 | | | | | | | $ (1,900) | 9,038 |
| 14 | **Total Revenues** | $ 498,889 | | | | | | | | $ 495,850 |
| 15 | | | | | | | | | | |
| 16 | Production Fuel | $ 323,664 | | | | | | | | $ 323,664 |
| 17 | IPP Costs | 18,250 | | | | | | | | 18,250 |
| 18 | | | | | | | | | | |
| 19 | Production Non-fuel | $ 24,027 | $ (225) | | | $ (82) | | | | $ 23,721 |
| 20 | Transmission and Distribution | 12,576 | $ (118) | | | (43) | | | | 12,416 |
| 21 | Administrative and General | 35,396 | $ (331) | | | (120) | | | | 34,945 |
| 22 | Customer Accounting | 5,615 | $ (52) | | | (19) | | | | 5,543 |
| 23 | **Total O&M Expenses** | $ 77,614 | $ (726) | | | $ (263) | | | | $ 76,625 |
| 24 | Depreciation | 34,924 | | | | | | | | 34,924 |
| 25 | Payments Made in Lieu of Taxes | - | | | | | | | | - |
| 26 | | | | | | | | | | |
| 27 | **Total Operating Expenses** | $ 454,452 | | | | | | | | $ 453,463 |
| 28 | | | | | | | | | | |
| 29 | Earnings From Operations | $ 44,437 | | | | | | | | $ 42,487 |
| 30 | | | | | | | | | | |
| 31 | Other Revenues (Expenses): | | | | | | | | | |
| 32 | Investment Income | $ 2,294 | | | | | | | | $ 2,294 |
| 33 | Interest expense (ST Debt) | (838) | | | | | 838 | (840) | | (840) |
| 34 | Interest expense (1993/1999 Revenue Bonds) | - | | | | | | | | - |
| 35 | Interest expense (2010 Senior Lien TE Bond) | (7,999) | | | | | | | | (7,999) |
| 36 | Interest expense (2010 Sub. Taxable Bond) | (2,046) | | | | | | | | (2,046) |
| 37 | Interest expense (2012 Revenue Bond) | (17,000) | | | | | | | | (17,000) |
| 38 | Interest expense (2014 Revenue Bond) | - | | | | | | | | - |
| 39 | Interest expense (IPP's) | (10,020) | | | | | | | | (10,020) |
| 40 | AFUDC | 1,670 | | | | | | | | 1,670 |
| 41 | Amortization of Issuance Costs | 347 | | | | | | | | 347 |
| 42 | Other Income (Expense) | - | | | | | | | | - |
| 43 | | | | | | | | | | |
| 44 | **Net Earnings/Loss Before Capital Contrib.** | $ 10,843 | | | | | | | | $ 8,890 |
| 45 | | | | | | | | | | |
| 46 | **Capital Contributions** | | | | | | | | | |
| 47 | DOE Smart Grid Funding | 1,943 | | | | | | | | 1,943 |
| 48 | Other Grant Funded CIP | - | | | | | | | | - |
| 49 | | | | | | | | | | |
| 50 | **Increase (Decrease) in Net Assets** | $ 12,786 | | | | | | | | $ 10,833 |
| 51 | | | | | | | | | | |
| 52 | **DEBT SERVICE COVERAGE CALCULATION WITH IPP ACCOUNTING CHANGE** | | | | | | | | | |
| 53 | | | | | | | | | | |
| 54 | | | | | | | | | | |
| 55 | Earnings From Operations | $ 44,437 | | | | | | | | $ 42,487 |
| 56 | Add Interest Income (Net of Const. Fund Interest) | 1,675 | | | | | | | | 1,675 |
| 57 | Add Depreciation | 34,924 | | | | | | | | 34,924 |
| 58 | **Balance Available for Debt Service** | $ 81,036 | | | | | | | | $ 79,086 |
| 59 | | | | | | | | | | |
| 60 | Senior Bond Interest | $ 24,999 | | | | | | | | $ 24,999 |
| 61 | Senior Bond Principal | 455 | | | | | | | | 455 |
| 62 | **Total Senior Debt Service** | $ 25,454 | | | | | | | | $ 25,454 |
| 63 | | | | | | | | | | |
| 64 | **Debt Service Coverage (Senior Bonds)** | 3.18 | | | | | | | | 3.11 |
| 65 | | | | | | | | | | |
| 66 | Total Debt Service (Senior and Subordinate) | | | | | | | | | |
| 67 | Total Bond Interest | $ 13,600 | | | | | | | | $ 13,600 |
| 68 | Total Bond Principal | 27,047 | | | | | | | | 27,047 |
| 69 | **Total Debt Service** | $ 40,647 | | | | | | | | $ 40,647 |
| 70 | | | | | | | | | | |
| 71 | **Debt Service Coverage (Subordinate Bonds)** | 1.99 | | | | | | | | 1.95 |
| 72 | | | | | | | | | | |

# GPUC Docket 11-09
## ($000s)

**Exhibit A**
**Exhibit GCG-1**

**Date:**
**Public Utilities Commission of Guam**

**Test Year: 2014**
**Individual Responsible:**
**Georgetown Consulting Group**

| Row # | Description | GPA Phase 2 Proposed FY 2014 | Labor Adjustment | WCF Rate Decrease | Working Capital | Other O&M | TECP | Barclay | Target Subordinate | GCG Phase 2 Proposed FY 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| 73 | **DEBT SERVICE COVERAGE CALCULATION WITHOUT IPP ACCOUNTING CHANGE** | | | | | | | | | |
| 74 | | | | | | | | | | |
| 75 | **Senior Debt Coverage** | | | | | | | | | |
| 76 | Earnings From Operations | $ 44,437 | | | | | | | | $ 42,487 |
| 77 | Add Interest Income (Net of Const. Fund Interest) | 1,675 | | | | | | | | 1,675 |
| 78 | Add Depreciation | 34,924 | | | | | | | | 34,924 |
| 79 | Less IPP Interest and Principal | 23,084 | | | | | | | | 23,084 |
| 80 | | | | | | | | | | |
| 81 | **Balance Available for Debt Service** | $ 57,952 | | | | | | | | $ 56,001 |
| 82 | **Debt Service:** | | | | | | | | | |
| 83 | Senior Bond Interest Expense | $ 24,999 | | | | | | | | $ 24,999 |
| 84 | Senior Bond Principal | 455 | | | | | | | | 455 |
| 85 | Total Senior Debt Service | $ 25,454 | | | | | | | | $ 25,454 |
| 86 | | | | | | | | | | |
| 87 | **Senior DSC (Rating Agency Method)** | 2.28 | | | | | | | | 2.20 |
| 88 | | | | | | | | | | |
| 88 | **Rating Agency Method:** | | | | | | | | | |
| 89 | Earnings From Operations | $ 44,437 | | | | | | | | $ 42,487 |
| 90 | Add Interest Income (Net of Const. Fund Interest) | 1,675 | | | | | | | | 1,675 |
| 91 | Add Depreciation | 34,924 | | | | | | | | 34,924 |
| 92 | Less IPP Interest and Principal | 23,084 | | | | | | | | 23,084 |
| 93 | **Balance Available for Debt Service** | $ 57,952 | | | | | | | | $ 56,001 |
| 94 | **Debt Service:** | | | | | | | | | |
| 95 | Bond Interest Expense | $ 13,600 | | | | | | | | $ 13,600 |
| 96 | Bond Principal | 27,047 | | | | | | | | 27,047 |
| 97 | Total Debt Service | $ 40,647 | | | | | | | | $ 40,647 |
| 98 | | | | | | | | | | |
| 99 | **DSC (Rating Agency Method)** | 1.43 | | | | | | | | 1.38 |
| 100 | | | | | | | | | | |
| 101 | | | | | | | | | | |
| 102 | **Internal Cash flow Statement:** | | | | | | | | | |
| 103 | Total Cash Generated | $ 43,750 | | | | | | | | $ 41,798 |
| 104 | CIP's-Internally Funded | (12,416) | | | | | | | | (12,416) |
| 105 | Principal Payment (2010 Senior Lien TE Bond) | 0 | | | | | | | | - |
| 106 | Principal Payment (2010 Sub Lien Taxable Bond) | (13,145) | | | | | | | | (13,145) |
| 107 | Principal Payment (2012 Revenue Bonds) | (455) | | | | | | | | (455) |
| 108 | Principal Payment (IPP's) | (13,064) | | | | | | | | (13,064) |
| 109 | TECP Paydown | (1,129) | | | | | | | | (1,129) |
| 110 | Materials Inventory | (1,176) | | | | | | | | (1,176) |
| 111 | Other Working Capital Requirement | (610) | | | 158 | | | | | (451) |
| 112 | WC Fund Funding Requirement-Non Fuel | (97) | | 97 | | | | | | - |
| 113 | WC Fund Funding Requirement-Fuel (FY 14) | (1,039) | | 1,039 | | | | | | - |
| 114 | Construction Fund Interest Income | (619) | | | | | | | | (619) |
| 115 | | | | | | | | | | |
| 116 | **Annual Cash (Deficiency)/Surplus** | $ 1 | | | | | | | | $ (658) |
| 117 | Cash Available Jun30, 2013 | | | | | | | | | 1,403 |
| 118 | **Total Cash** | | | | | | | | | $ 745 |

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Public Utilities Commission
GUAM

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

| | | |
|---|---|---|
| IN THE MATTER OF: THE APPLICATION OF THE GUAM POWER AUTHORITY TO APPROVE THE CONTRACT WITH TRISTAR TERMINALS GUAM, INC. FOR THE DOCK FACILITY USER AGREEMENT, PIPELINE AGREEMENT, AND FUEL STORAGE AGREEMENT FOR GPA | ) | GPA DOCKET 13-11<br><br>SUPPLEMENTAL ORDER |

## INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] for contract review and approval of the Contract with Tristar Terminals Guam Inc., for the Dock Facility User Agreement, Pipeline Agreement, and Fuel Storage Agreement for GPA.[1]

## BACKGROUND

2. At its meeting on July 30, 2013, the PUC approved the Dock Facility User Agreement and the Pipeline Agreement.[2]

3. However, with regard to the Storage Agreement, the Commission determined that it did not have sufficient information to justify approval. It required justification for the 20% increase and the automatic 4% annual increase.[3]

4. In the meantime, GPA has submitted additional information in support of approval of the Fuel Storage Agreement, including a letter from Tristar dated August 12, 2013, to Melinda Camacho, Assistant General Manager, Operations, Guam Power Authority.[4]

5. Tristar indicates that the new per barrel charge under the Storage Agreement will be $3.35 for the first year (a 20% increase) with a 4% increase per year for the next

[1] GPA Petition for Review and Approval of Contract with Tristar Terminals Guam, Inc. for the Dock Facility User Agreement, Pipeline Agreement, and Fuel Storage Agreement for GPA, GPA Docket 13-11, filed July 12, 2013.
[2] PUC Order, GPA Docket 13-11, issued July 30, 2013.
[3] Id. at p. 5.
[4] Letter from Tristar, John Dennett, Corporate Secretary, to Melinda Camacho AGMO, GPA, dated August 12, 2013.

ATTACHMENT C

four years of the Agreement. Tristar further indicates that the prior fee of $2.75/bbl resulted in operating losses. This has been TTGI's first opportunity to adjust the Storage Agreement since TTGI took over control of the Agat Terminal from the prior owner Shell Guam.[5]

6. Refurbishment of Tank 1903 will cost over $2M. Thereafter a $3M cleaning, repair and upgrade project will be undertaken for Tank 1903. TTGI submits that its per barrel charges to GPA are lower than those for other commercial customers.[6]

7. At the PUC meeting on August 27, 2013, Commissioner Pangelinan requested that the GPA-Tristar Fuel Storage Agreement be referred to PUC's Consultant for a determination of the reasonableness of the contract price, and whether the contract is consistent with industry practice standards.

8. Lummus Consultants submitted its Report on the Review of the Fuel Storage Contract on September 18, 2013.[7] It concurs that GPA has little choice but to engage in a contract with Tristar to utilize its fuel storage tanks as there appear to be no other alternatives at this time.[8]

9. Lummus raises questions concerning the accuracy of the 4% annual, automatic cost of living increase; it points out that the impact from the Agreement ultimately results in a 40.4% increase from the present contract cost.

10. However, Lummus recommends that the Fuel Storage Contract be approved.[9]

## DETERMINATIONS

11. As previously indicated, GPA at present, has little choice but to utilize the storage tanks of Tristar.

12. GPA has submitted information establishing that the storage costs for its own tanks (1934 & 1935) is $3.86 per barrel. GPA's cost for its tanks is more expensive than the $3.35 charged by Tristar per barrel for FY2014.

[5] Id. at p. 1.
[6] Id. at p. 3.
[7] Lummus Consultants Review of Fuel Storage Contract, GPA Docket 13-11, filed September 19, 2013.
[8] Id. at p.1.
[9] Id. at p.2.

13. Tristar has submitted evidence of increased costs for the maintenance of its storage tanks.

14. PUC adopts the recommendation of its Consultant Lummus that the Storage Agreement should be approved. GPA should consider the costs of alternatives to the Storage Agreement as a part of its long term planning process.

15. PUC also adopts Lummus' recommendation that, for any future contract reviews of the Tristar Agreements, Tristar should be required to provide additional information concerning its assumption of a 4% annual cost of living increase.

## ORDERING PROVISIONS

After careful review and consideration of the above determinations, the Petition of GPA, the Supplemental Evidence provided, the Report of Lummus Consultants, and the Storage Agreement, for good cause shown, on motion duly made, seconded, and carried by the undersigned Commissioners, the Guam Public Utilities Commission hereby ORDERS that:

1. The PUC hereby grants GPA's request for approval of the Storage Agreement.

2. GPA is authorized to enter into the Storage Agreement for a five-year period, from September 1, 2013 through August 31, 2018.

3. In accordance with the recommendation of Lummus, GPA should consider the costs of alternatives to the Storage Agreement as a part of its long term planning process. For any future contract reviews, Tristar should be required to submit further information concerning its assumption of a 4% annual cost of living increase.

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 the 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 24th day of September, 2013.

Jeffrey C. Johnson
Chairman

Joseph M. McDonald
Commissioner

Rowena E. Perez
Commissioner

Peter Montinola
Commissioner

Michael A. Pangelinan
Commissioner

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Public Utilities Commission
GUAM

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

| | |
|---|---|
| **COMMISSION ADMINISTRATIVE DOCKET** | **ASSESSMENT ORDER** |

**WHEREAS,** the Commission's operational expenses can be divided into two categories and are budgeted and collected under the following protocols: i] general administrative expenses, which are budgeted each fiscal year by the Commission and divided and assessed among the regulated utilities; and ii] regulatory expenses, which are incurred pursuant to Commission resolution dated August 13, 2007. Regulatory expenses include professional and out-of-pocket expenses, which are billed to specific utilities under regulatory dockets assigned to them to cover the expense of handling specific regulatory proceedings related to them. This order addresses the Commission's FY2014 budget of administrative expenses.

**WHEREAS,** the administrative budget covers the Commission's administrative expenses, including staff, office facilities, Commissioner stipends and training, professional fees and other operational expenses;

**WHEREAS,** at a duly noticed and convened Commission meeting held on August 29, 2013, the Commission considered and adopted its FY2014 administrative budget in the amount of $429,700.00;

**WHEREAS,** the Commissioners agreed that the amount of the administrative assessment for this fiscal year would be increased to provide for additional professional fees, commissioner stipends, and other increases in operational expenses;

**WHEREAS,** the utilities and telecommunication companies subject to Commission regulation include Guam Power Authority [GPA], Guam Waterworks Authority [GWA], TeleGuam Holdings LLC [GTA]/ Other Telecom Companies, Guam Solid Waste Authority [GSWA], and the Port Authority of Guam [PAG];

**ATTACHMENT D**

**WHEREAS,** after due consideration, the Commission has resolved that its' FY2013 administrative budget of $429,700.00 should be allocated among the regulated utilities and telecommunication companies as follows:

| | |
|---|---|
| GTA/Other Telecom Companies | $85, 940.00 |
| GPA | $85, 940.00 |
| GWA | $85, 940.00 |
| PAG | $85, 940.00 |
| GSWA | $85, 940.00 |
| **Total** | **$429,700.00** |

**NOW, THEREFORE,** in consideration of the above recitals and under authority invested by 12 GCA Section 12024, the Commission hereby **ORDERS THAT**:

1. GPA, GWA, GTA/Other Telecom Companies, PAG and GSWA shall pay the assessments allocated to them, as stated above, to the Commission no later than October 31, 2013. The regulated utilities and telecom companies are reminded that these assessed revenues are necessary to enable the Commission to have the staff and office facilities to entertain their requests for regulatory services. It is therefore, essential that these assessments be paid in a timely manner.

2. The assessments due for the telecom companies are apportioned[1] as follows:

| | |
|---|---|
| GTA: | $70,049.69; |
| Guam Telecom/ Docomo | $15,890.31 |

3. A copy of this assessment order shall be served on each regulated utility and Telecom Company.

Dated this 24th day of September, 2013.

[1] This allocation of Regulatory Fees for Telecommunications Companies has been determined in accordance with the methodology set forth in the Rules Governing Regulatory Fees for Telecommunications Companies, Docket 05-01, filed July 7, 2005. See par. 1bii and 2a thereof. The assessments for prior year FY2013, utilized by PUC in apportioning PUC's administrative expenses to the telecommunication companies for FY2014, are set forth in Attachment A attached hereto.

Jeffrey C. Johnson
Chairman

Joseph M. McDonald
Commissioner

Rowena E. Perez
Commissioner

Peter Montinola
Commissioner

Michael A. Pangelinan
Commissioner

Public Utilities Commission of Guam

# FY2014 ANNUAL ADMINISTRATIVE BUDGET PROPOSAL

October 2013 - September 2014

| CATERGORY | FY2012 BUDGET | | FY2013 BUDGET | | FY2013 Estimate Expenses | FY2014 Approved Budget |
|---|---|---|---|---|---|---|
| ADMINISTRATOR | $40,000.00 | | $42,000.00 | | $42,000.00 | $44,000.00 |
| OFFICE RENTAL | $26,000.00 | | $27,000.00 | | $26,500.00 | $27,000.00 |
| COMMISSIONER STIPENDS | $30,000.00 | | $56,000.00 | | $48,000.00 | $84,000.00 |
| NARUC MEMBERSHIP | $1,700.00 | | $1,750.00 | | $1,700.00 | $1,700.00 |
| COMMISSIONER TRAINING | $15,000.00 | | $20,000.00 | | $26,900.00 | $30,000.00 |
| OFFICE SUPPLIES | $2,000.00 | | $3,000.00 | | $2,800.00 | $3,000.00 |
| UTILITIES (power/phone/fax) | $6,000.00 | | $5,000.00 | | $4,600.00 | $5,000.00 |
| POSTAGE | $0.00 | | $0.00 | | $0.00 | $0.00 |
| XEROX | $4,000.00 | | $4,000.00 | | $3,600.00 | $4,000.00 |
| PROFESSIONALS FEES | $130,500.00 | | $180,000.00 | | $176,000.00 | $190,000.00 |
| MISCELLANEOUS (publication) | $13,000.00 | | $18,000.00 | | $14,700.00 | $15,000.00 |
| EQUIPMENT | $2,500.00 | | $1,000.00 | | $0.00 | $0.00 |
| IT SERVICES | $8,500.00 | | $8,000.00 | | $11,030.00 | $12,000.00 |
| Build out for Office | $0.00 | | $6,000.00 | | $0.00 | $14,000.00 |
| LITIGATION EXPENSES | $20,000.00 | | $10,000.00 | | $0.00 | $0.00 |
| FY2014 ADMIN BUDGET | $299,200.00 | | $381,750.00 | | $357,830.00 | $429,700.00 |
| | -$33,000.00 | DPW | -$22,775.21 | PDS | | |
| | $266,200.00 | | -$1,000.18 | GT | | |
| | | | $357,974.61 | | | |

# FY2013 SERVICES RENDERED
# TELECOMMUNICATIONS MATTERS

| AGENCY | GTA | PDS | GT/DOCOMO | PTI | |
|---|---|---|---|---|---|
| Date | | | | | |
| Oct-12 | $8,522.70 | $0.00 | $2,817.50 | $0.00 | |
| Nov-12 | $12,620.55 | $0.00 | $4,007.50 | $0.00 | |
| Dec-12 | $2,953.75 | $0.00 | $0.00 | $0.00 | |
| Jan-13 | $3,598.50 | $0.00 | $0.00 | $0.00 | |
| Feb-13 | $0.00 | $0.00 | $0.00 | $0.00 | |
| Mar-13 | $700.00 | $0.00 | $0.00 | $0.00 | |
| Apr-13 | $0.00 | $0.00 | $0.00 | $0.00 | |
| May-13 | $200.25 | $0.00 | $0.00 | $0.00 | |
| Jun-13 | $0.00 | $0.00 | $0.00 | $0.00 | |
| Jul-13 | $1,492.75 | $0.00 | $0.00 | $0.00 | |
| Aug-13 | | | | | |
| Sep-13 | | | | | Total for Agencies |
| Total | $30,088.50 | $0.00 | $6,825.00 | $0.00 | $36,913.50 |

| | | Percentage | @85,940 |
|---|---|---|---|
| GTA | $30,088.50 | 81.51% | 70,049.69 |
| GT/Docomo | $6,825.00 | 18.49% | 15,890.31 |
| PDS | $0.00 | 0.00% | 0.00 |
| PTI | $0.00 | 0.00% | 0.00 |
| iConnect | $0.00 | 0.00% | 0.00 |
| | $36,913.50 | 100.00% | 85,940.00 |

NOTE: ZERO AMOUNTS ARE DUE TO NO SERVICES RENDERED ON THE MATTERS

*Attachment A*

# PUBLIC UTILITIES COMMISSION
## OF GUAM


Jeffrey C. Johnson

Suite 207, GCIC Building
Post Office Box 862
Hagatna, Guam 96932

David A Mair
Administrative Law Judge

Joseph M. McDonald
Filomena M. Cantoria
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Michael A. Pangelinan
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Lourdes R. Palomo
Administrator




## RESOLUTION NO. 13-04

## RELATIVE TO RETENTION OF LEGAL COUNSEL, ADMINISTRATIVE LAW JUDGE AND CONSULTANT FOR THE GUAM PUBLIC UTILITIES COMMISSION

**WHEREAS**, the Guam Public Utilities Commission ("PUC") is an autonomous instrumentality within the Government of Guam;

**WHEREAS**, the PUC has the authority to retain Consultants, Attorneys and Administrative Law Judges;

**WHEREAS**, the PUC has concluded that it is in the public interest to retain Consultants, Attorneys and Administrative Law Judges in a transparent and fair manner pursuant to the established procedures in the Procurement Laws of Guam; and

**WHEREAS**, the PUC has concluded that is in the interest of the People of Guam that its Legal Counsel and Administrative Law Judge be both qualified and readily available on a day-to-day basis for both consultation and hearing;

**WHEREAS**, the PUC has determined that it requires the services of Consultants to advise it upon pending utility matters within its jurisdiction;

**WHEREAS**, the PUC has issued RFP Nos. 001-FY2013, 002-FY2013, and 003-FY2013 to procure the services of Legal Counsel, Administrative Law Judge, and Consultant;

**WHEREAS**, upon conducting a fair process in accordance with the procurement laws of Guam and upon due and proper evaluation of the offerors and their respective qualifications, the Commissioners have selected, as the most qualified offerors, Frederick J. Horecky of Horecky & Associates as Legal Counsel, David A. Mair and Joephet Alcantara of Mair, Mair, Spade & Thompson L.L.C. as Administrative Law Judge, and Slater, Nakamura & Co. Inc. as Consultant;

**ATTACHMENT E**

**NOW THEREFORE**, in due consideration of the above recitals and for good cause shown, the PUC hereby resolves that:

1. A Professional Services Agreement retaining the Law Offices of Horecky & Associates as Legal Counsel for the PUC is hereby approved;

2. A Professional Services Agreement retaining David A. Mair, Esq. and Joephet Alcantara, Esq., of the law firm of Mair, Mair, Spade & Thompson as the Administrative Law Judge for the PUC is hereby approved;

3. A Professional Services Agreement retaining Slater, Nakamura & Co. Inc. as Consultant for the PUC is hereby approved.

Dated this 24th, day of September, 2013.

JEFFREY C. JOHNSON
Chairman

ROWENA E. PEREZ
Commissioner

JOESPH M. McDONALD
Commissioner

PETER MONTINOLA
Commissioner

MICHAEL A. PANGELINAN
Commissioner

# PUBLIC UTILITIES COMMISSION
## OF GUAM


Jeffrey C. Johnson

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Lourdes R. Palomo
Administrator



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Public Utilities Commission
GUAM


## RESOLUTION NO. 13-05

## RE: EXTENSION OF PROFESSIONAL SERVICES AGREEMENT FOR PORT CONSULTANT FOR FY2014

**Whereas,** the Guam Public Utilities Commission ("PUC") is an autonomous instrumentality within the Government of Guam;

**Whereas,** pursuant to 12 GCA §12002(a), the PUC has the authority to retain consultants;

**Whereas,** on or about November 13, 2009, the PUC approved a Professional Services Agreement with Slater, Nakamura & Co., LLC for the purpose of advising the PUC with regard to regulatory oversight supervision of the Port Authority of Guam; and

**Whereas,** the above-referenced Professional Services Agreement provided for a maximum total term of five years, with four one year options to extend;

**Whereas,** Slater, Nakamura & Co. has now provided consulting services to the PUC for nearly four years; and

**Whereas,** the Commission is satisfied with the services rendered by its Consultant on Port Authority matters; and

**Whereas,** the PUC hereby desires to exercise its option to extend the Professional Service Agreements of its Port Authority Consultant for an additional one year period;

NOW THEREFORE, in due consideration of the above recitals and for good cause shown, the PUC hereby resolves that:

1. The Professional Services Agreement retaining Slater and Nakamura Co., LLC., for the PUC is hereby extended for a period of one year;

**ATTACHMENT F**

3. During the period of the one year extension, all terms and conditions of said Agreements between the PUC and the above referenced Consultant shall fully remain in effect and shall govern the respective relations of the parties.

4. The Chairman is authorized to sign all documents necessary to effectuate the above referenced professional services agreement.

Dated: September 24, 2013

JEFFREY C. JOHNSON
PUBLIC UTILITIES COMMISSION
Chairman

Dated: September 24, 2013

JOSEPH M. MCDONALD
PUBLIC UTILITIES COMMISSION
Commissioner

Dated: September 24, 2013

ROWENA E. PEREZ
PUBLIC UTILITIES COMMISSION
Commissioner

Dated: September 24, 2013

MICHAEL A. PANGELINAN
PUBLIC UTILITIES COMMISSION
Commissioner

Dated: September 24, 2013

PETER MONTINOLA
PUBLIC UTILITIES COMMISSION
Commissioner