

GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
DECEMBER 1, 2014
SUITE 202, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:35 p.m. on December 1, 2014, pursuant to due and lawful notice. Commissioners Johnson, Perez, McDonald, Pangelinan, Montinola, Cantoria, and Niven were in attendance. The following matters were considered at the meeting under the agenda made *Attachment "A"* hereto.

1. Approval of Minutes

The Chairman announced that the first item of business on the agenda was approval of the minutes of September 25, 2014. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the minutes.

2. Guam Waterworks Authority

The Chairman announced that the next item on the agenda was GWA Docket 13-01, GWA Petition for Approval of Additional \$2.456M in GWA's Program Management Office Contract with Brown & Caldwell. Counsel indicated that that matter was not yet ready for consideration. The Chairman then announced that the next item of business was GWA Docket 13-01, GWA's Annual True-Up, Lummus Consultants' Report, ALJ Report, and Proposed Order. Counsel indicated that, over a year ago, the Commission approved a five-year rate plan that pre-determined annual rate increases for each year. For FY2015, the scheduled annual increase was 14.5%. This increase, as well as the other increases in the five year plan, were designed to enable GWA to meet various project deadlines required by the Stipulated Order. Rate increases cover the costs of the projects and the debt service necessary on the bonds. Although the agreed increase for FY2015 was 14.5%, the process involves an annual "true-up" before the new rate goes into effect. Before the Commission is the issue of whether the 14.5% rate increase should go into effect for this fiscal year.

After discussions between Lummus (PUC Consultant) and GWA, Lummus concurred with GWA that the increase for FY2015 should be 14.5%. Lummus recommends that the rate be approved. The ALJ has also issued his Report indicating that the rate should be approved. There is a Stipulation between GWA and Lummus which covers such issues as an increase in the Legislative Surcharge, GWA measures to improve the water leakage problem and unaccounted for water loss.

If GWA and Lummus had been able to complete work on the annual true-up earlier, perhaps the rate increase could have gone into effect on October 1 of this year, the beginning of FY2015, as intended. But there were factors that prevented the rate

increase from being implemented on October 1. GWA and Lummus had engaged in a discovery process. However, the parties were not prepared to put the matter on the agenda at the end of September which is when this matter would ordinarily have been addressed by the Commission to place new rates into effect on October 1, 2014 (FY2015). Lummus believes that it had not received all the information from GWA necessary to evaluate the rate increase by the end of September. In October, the Commission did not have a meeting.

GWA takes the position that there should be "rate compression" in this case. If the 14.5% rate increase only goes into effect on December 1, 2014, GWA would not receive full amount of rate relief for the entire year. GWA requests that the PUC "compress" the rates and give GWA the full amount of the rate relief it would have otherwise received if the rates had gone into effect on October 1. If the rate of 14.5% is compressed effective December 1 for the remaining ten months of the fiscal year, that would amount to an effective rate of 17.4% for the next ten months.

Lummus takes a different view. It believes that part of the delay was caused by GWA, in that GWA did not provide information to Lummus as quickly as possible. Instead of allowing compression for two months, Lummus would only give one month compression to GWA. In that case, the rate effective December 1, 2014 would be 15.8% for the remaining ten months in the fiscal year.

Counsel indicated that there was also a third option which the PUC could consider. Rate compression is never required. In utility practice, according to Bonbright's Principles of Public Utility rates, compression is ordinarily avoided in order to stabilize rates for consumers and accomplish "rate smoothing." However, this Commission has, on a number of prior occasions, allowed rate compression and instituted rates on a compressed basis. The ALJ has not made a recommendation on which path the Commission should follow, i.e. the 17.8% rate recommended by GWA, the 15.4% rate recommended by Lummus, or no compression. This is a matter which the Commission must decide.

Sam Taylor, GWA Legal Counsel, spoke on behalf of GWA's proposal. He characterized Lummus' position as an attempt to penalize GWA \$600,000 in annual revenue simply because it didn't respond to discovery in a certain time frame. GWA did file its true-up petition on time as specified in the rate case and the rate Order. There was some lag between the time when GWA made its filing and the PUC provided the filing to Consultant Lummus. Other information provided by GWA to the PUC on a routine basis, such as GWA monthly financial statements, had not been provided to Lummus. Thus, it took Lummus longer to become familiar with GWA's financial position, the changes in its revenue, its expenditures and other progress throughout the year.

A portion of the regulatory lag occurred because the Commission did not meet in November. Lummus agreed that the 14.5% rate was just and reasonable. On a going forward basis, GWA and Lummus have stipulated to work on fixing procedural

problems that arose in this Docket. The Commission is asked to send GWA's monthly financial statement and annual report to Lummus. Issues that had to be resolved included chemical costs, sludge disposal, increased power costs, etc. If the Commission does not approve the full compressed rate of 17.4%, GWA will have no choice other than to "squeeze its vendors." Its operational costs still must be satisfied. GWA's accounts payable would go up. It could also result in GWA having less money for bond reserves, which could negatively impact its debt service coverage and increase the bond rates on future bond issuances. Mr. Taylor urged the Commission to disallow the "penalty" to be incurred simply because Lummus did not like the manner in which GWA provided responses.

The Chairman confirmed with Counsel Taylor that the prior year rate increase for GWA had been 16%. Mr. Taylor indicated that compression was not awarded to GWA last year. According to Taylor, GWA lost \$500,000 last year due to the uncompressed rate increase. The Chairman asked how much GWA's revenues increased last year compared to the previous year. Ms. Gilda Mafnas of GWA indicated that for FY2013, GWA's revenues were \$79M. For FY2012, GWA's revenues were roughly \$76,000,312. For FY2014 the revenues are about \$83M. The Chairman clarified that these increases also included waste water rates. However, there is no increase in the lifeline rates. The Chairman further clarified that, with the 16% increase in the last fiscal year, PUC increased revenues of GWA by about \$4M from the prior fiscal year.

Ms. Mafnas of GWA indicated that a one month delay in rates cost GWA \$500,000. The Chairman then asked whether, if the PUC granted GWA the fully compression rates, what would the increase in revenues for the coming fiscal year; Ms. Mafnas indicated that it would be \$4.5M. Additional increases are set to occur over the next two fiscal years.

The Chairman asked how GWA was doing on unaccounted for water losses and whether it was making any headway. Acting GM Tom Cruz indicated that the headway was slight at this point, merely because GWA was working on other projects to further assess the problem. One such project is leak detection. GWA has a trained crew that is addressing this problem by finding if there are any leaks. There is an ongoing project for installation of large meters within the system to determine where the leaks are. There is also the ongoing water line replacement project to reduce unaccounted for water losses. Water meters for the production wells also have to be changed out.

The Chairman then asked if GWA was on schedule to have all the meters replaced with the new Badger meters in this fiscal year. Acting GM Cruz indicated that there are post 2010 Metron meters that are still working. However, the majority of meters are the new Badger meters. GWA is not replacing the Metron meters that are working. Counsel Taylor indicated that if the meters aren't working, production is based on the rating of the pump. The pump is not actually pumping that much water. There is a big disparity in the amount of water that the pump can pump as opposed to what it is really

pumping. GWA is working on replacing meters as a priority to get a better handle on production figures.

GWA is placing resources into line replacement, leak repair, leak detection and production, and the system in general. The Master meter project is coming up. The Chairman then asked about the provision in the Stipulation addressing annual salary increases. The Chairman understood that GWA had delayed increases that were granted in public law several years ago allowing GWA to increase salaries up to the 50th percentile. The Chairman wondered if GWA was at the 15th percentile at present. Ms. Mafnas of GWA indicated that GWA was at the 10th percentile. The Chairman then asked if allowing for a 3% increase over the next few years would more or less keep GWA even with the 10th percentile with cost of living. Counsel Taylor indicated that no, the stipulation would normalize what the law allows. Currently there is a 1% to 6% variable for performance evaluations which are given on an annual basis. Lummus has assumed that the majority of those will fall within the 3% range in terms of increases. Even though increases might ordinarily be in the 3.5% to 3.8% range, GWA will lose that amount on an annual basis.

Commissioner Perez asked how many customers GWA had to date. Ms. Mafnas indicated that it was 41,000. Commissioner Perez asked how many customers GWA was expecting for the next year. Ms. Mafnas indicated that it was about 1% growth over the next 20 years. Commissioner Perez then asked whether, with the system development charge, rate payers were allowed to make monthly payments over a time period. Could payments be made on an amortized basis? Counsel Taylor indicated that customers were allowed to amortize their payments, but only for residential. He indicated that PUC had approved such payments.

Commissioner Niven indicated that the stipulation included an agreement for standard filing information to reduce the regulatory lag between Lummus and GWA. Counsel Taylor indicated that the parties were working out these additional matters. There was an issue about the calculation of interest and a calculation for a rate form on GWA bonds. GWA and Lummus worked out a solution for these matters. Commissioner Niven asked whether GWA was confident that, assuming it files its true-up by June 1 next year, that Lummus will have a report in time for the PUC to make a decision by October 1. Mr. Taylor was confident that the issues could be resolved in time.

PUC Counsel Horecky indicated that he had been informed by ALJ Alcantara that he transmitted the GWA petition to Lummus four days after it was received.

Commissioner Pangelinan asked whether four days was too long to wait, was that GWA's position? Mr. Taylor indicated that this year it was not too long, but last year it was. Mr. Taylor also indicated that the PUC's prior consultant, Georgetown, had worked with GWA for many years; however, Lummus is relatively new to GWA. Lummus should be better able to respond more quickly and GWA will respond quicker also.

The Chairman asked how much GWA had to pay the Navy for this coming fiscal year for water compared to the previous year. Counsel Taylor indicated that the Consolidated Commission on Utilities had just approved a letter to be sent to the Admiral of the Navy asking the Navy to spread out the rate increases over a multi-year period. GWA is hopeful that such will occur. GPA Interim General Manager John Benavente indicated that GWA pays about \$2M a year. GWA has a stringent process to reduce water usage. GWA is a 20% customer of DOD and the rates continue to rise every year. Counsel Taylor indicated that Navy was required to amortize its costs for running the system and also for capital improvements over a specified period of time. He believes that the amortization schedule is for ten years. There is an automatic formula. Mr. Taylor indicated that a recent Navy bill indicates an increase in GWA's rates of 40%. The Chairman asked whether GWA had reduced the amount of water purchases from the Navy over the past several years. Mr. Taylor indicated that GWA had substantially reduced purchases.

GWA cuts down the amount of use and then the Navy increases the rates to recover the amounts they lost from previous usage. Mr. Randy Wiegand, the Comptroller of GPA, also indicated that the CCU letter suggested that the Navy get out of the water business completely. The Chairman asked whether GWA foresaw a point where, in light of the high Navy rates, it would make sense to bring more water from the North down to the South. Mr. Benavente indicated a consideration was that GWA pays \$7.59 per thousand gallons and GWA takes water out from its production wells at about \$1.25 per thousand gallons. It would make sense to look into that option. The question is when will GWA be able to take over the system. The Navy might be more comfortable once GWA makes progress and improves the standards of the system for all the investments that it has made. Mr. Benavente believes that the Navy rate might be \$9.00 per thousand gallons next week.

Commissioner Montinola inquired about the extent to which GWA depends on the Navy for water. Mr. Benavente stated that GWA takes about 2.75M gallons a day from the Navy, but GWA produces about 43M gallons a day. The amount that GWA takes is less than 5% of total production. Commissioner Perez asked whether GWA included the 40% Navy water price increase in the true-up. Attorney Taylor indicated that it did not. Commissioner Perez then asked, if the PUC compressed the rates inclusive of the two month period, would that even be a part of the \$2M for the 40% Navy water charge increase. Counsel Taylor indicated that GWA only received notice of the rate increase from the Navy after it filed its true-up case. GWA has only received one bill with the new Navy increase. Commissioner Perez asked whether GWA included the normal amount that it is charged by the Navy in its case. Counsel Taylor indicated that it had. Commissioner Perez then asked what that amount is. Ms. Mafnas of GWA indicated that it's about \$5.79M. The Chairman then clarified that GWA anticipated an increase in rates about \$2M over the course of the coming fiscal year. Ms. Mafnas indicated that on top of GWA's projection, it anticipates an additional \$1.8M increase.

Commissioner Perez asked whether GWA had received any cost projections to be able to run lines from North to South. GPA Interim General Manager Benavente indicated even with the additional cost of running water from North to South, the charge would be half of what Navy is charging GWA. It makes sense to have one water system because it has a lot of reservoirs in different areas.

Commissioner Perez asked whether the purpose of the bond issuance was to comply with the US Stipulated Order and to upgrade the water system and wastewater systems. Counsel Taylor indicated that such was correct. Commissioner Perez asked whether GWA considered, when it went out for the bond issuance, a solution to run lines from North to South for ratepayer savings. Mr. Benavente indicated that, going forward, there are opportunities to take over the water system and combine both systems. Commissioner Perez clarified that if GWA could not run the system independently of DOD, there would have to be combination of the GWA and DOD systems to serve the GWA customers.

Commissioner Niven expressed his view on the compression issue. The important facts are that Lummus and GWA reached an agreement on the appropriate amount of revenue for the fiscal year, that is, a 14.5% increase over twelve months. If PUC approves anything less than 17.4%, GWA will not get the revenue that Lummus and GWA agreed was reasonable. From Mr. Taylor's statement, there seems to be a difference of opinion as to how much information was needed for the true-up but there was no claim that GWA acted in bad faith or stonewalled in any way in providing information.

There is no basis for finding that GWA deserves a shortfall in revenue because of any unacceptable behavior. Commissioner Niven favored the 17.4% increase and the rest of the compromise as set forth in the settlement. Upon motion duly made, seconded and unanimously carried, the Commissioners approved a compressed rate increase of 17.4% to be effective December 1, 2014 and continuing through the end of the current fiscal year. The Commissioners adopted the Order made *Attachment "B"* hereto.

The Chairman announced that the next item on the Agenda was GWA Docket 15-01, Petition to Approve Fuel Contract with IP&E, ALJ Report, and Proposed Order. Counsel indicated that the matter involves diesel and gasoline fuel for vehicles of GWA and other items of heavy equipment. GWA had a three year contract with IP&E for provision of fuel, with two one-year options to extend. The initial three year contract term is up, and GWA now seeks to enter into the option to extend with IP&E. However, the problem in this matter is that GWA never obtained approval from either the Consolidated Commission on Utilities or the PUC to proceed ahead with this contract. GWA has now finished the three year contract term with a total expenditure of \$1,586,659.60.

The amount expended has exceeded the contract review threshold. GWA should have brought this matter to both the CCU and the PUC for approval. It was an oversight by GWA. Nevertheless, the ALJ submits that this contract is very necessary. GWA must

power its vehicles so that it can operate and it needs gasoline to run its heavy equipment. Although there has been a technical failure by GWA to obtain contract review approval, there is a need for GWA to proceed ahead with this contract. The cost of this contract is approximately \$600,000 per year. There are savings to GWA under this contract of approximately 84 cents per gallon. The ALJ found that the use by GWA of a multi-year contract for the purchase of fuel is reasonable, and that the fleet fuel is an indispensable part of GWA's operations. The Proposed Order before the PUC would ratify the contract and approve the one-year renewal.

Commissioner Perez asked whether this was renewal for two more years or an option to renew each year. Counsel Taylor indicated that it was an option to renew for one year at a time, and if appropriate, for another year. Mr. Taylor indicated that the cost would be approximately half a million dollars a year. As a requirements contract there are substantial savings off the retail price, somewhere in the area of 80 cents a gallon. Upon motion duly made, seconded and unanimously carried, the Commissioners ratified the fuel contract between GWA and IP&E, and further approved the one year renewal. The Commissioners adopted the Order made *Attachment "C"* hereto.

The Chairman announced that the next matter of business before the PUC was GPA Docket 14-01, GWA Petition to Approve the Customer Information System Expenditures beyond \$1M, PUC Counsel Report, and Proposed Order. Counsel indicated that this matter involves Customer Care & Billing systems for both GPA and GWA. The outdated billing software will be replaced. The Commission previously approved the basic contract for replacement of the billing software with Wi-Pro. The Commission found that there is a need to implement the new customer information system and software because of certain audit deficiencies of GPA and GWA's need to improve its billing practices. In its initial report, PUC Consultant Slater Nakamura recommended implementation of the software, but found that there are often cost overruns when such new software is implemented. Slater recommended that the utilities have additional "post live service" from Wi-Pro. Therefore, the service contract has been extended for six months. Both GPA and GWA have now petitioned PUC for an increase in expenditure authorization under the Wi-Pro contracts.

With GPA, the requested increase is roughly \$650,000. With GWA, the increase is in the area of \$700,000. The original CCU authorization for GPA was \$3M; with the increase, GPA would expend in the area of \$3.4M. GWA's original authorization was up to \$1.5M. GWA is now asking to expend up to its original authorization. PUC originally approved \$2.7M for GPA and \$870,000 for GWA. The justification was based upon change orders that have already been put into effect. Those are attached to the Counsel Report. GWA's increase request is based upon the need for new software that will improve billing to customers.

Counsel has an issue with both utilities in that they have built a "contingency" into their estimates of how much money they need. For GPA, the "contingency" is \$60,000; with GWA, \$150,000. However, the Contract Review Protocol already provides the utilities with a 20% contingency. In the existing protocol, the utilities can go 20% above

whatever amount is approved by the Commission without coming back to the Commission. This is problematic when the utilities add in their own contingency. The problem is that, when you figure out the 20% contingency, there could be a "contingency on top of the contingency." Counsel recommends that the contingency amounts requested by the utilities not be approved. If the utilities are allowed to add in a contingency before the exact cost for a project is even known, it will result in inaccurate estimates by the utilities of project costs. If the utilities exceed the 20% contingency, they could always come back to the Commission, as they have done in the past, to request additional amounts.

With GWA, Counsel has no difficulty in recommending approval for the expenditures relating to change orders. He recommends approval for an amount of \$1M of the change orders. However, two other projects are not the subject of change orders. The requested authorizations do not even seem necessarily related to the Wi-Pro contract. There are only brief two-line explanations requesting additional computer hardware. However, there is no explanation of how many computers would be needed or what the purpose would be. There is no indication why these requests have not been reduced to change orders. Additional computer equipment does not necessarily have to be funded through the Wi-Pro contract. GWA should be required to submit additional information as to what the additional request of \$250,000 is for. More information is needed.

The Proposed Order would find that the Customer Care & Billing Software is necessary. It would authorize GPA to expend up to \$3,340,000, absent the \$60,000 contingency. With GWA, Counsel recommends that the Commission approve \$1,011,765. That includes all the change orders that GWA proposed, but not approval of the additional two projects for which there are no change orders. GWA would be required to provide more information on the archival reporting application purchases for \$82,000 and \$255,000 for the hardware, software applications and other computer items.

The Chairman asked GWA whether it had the intention of adding a 10% contingency and then potentially adding a 20% on top of that. GWA Counsel Taylor indicated that GWA did not have such intention. He indicated that the 20% applies to the original approval amount, but it is not clear whether the contingency applies to subsequent items that GWA finds that it needs during the course of the project. PUC Counsel clarified that here, when the PUC approves additional expenditures over the original amount, the new contingency would be based upon the additional amount that the PUC has approved. However, the idea that the CCU is attempting to determine what the contingency should be just leads to confusion.

On the \$255,000 for computer equipment, GWA Counsel concurred with the position of PUC Counsel. Those items may or may not be appropriate to place within the Wi-Pro contract. GWA is examining these and is comfortable with the language that PUC Counsel suggested relative to that item. That computer equipment will either go through a change order with Wi-Pro or CCU action. The Chairman asked whether GWA has any problems giving further clarification to the archival reporting application

purchases and the \$255,000 for the computers. Counsel Taylor indicated that these matters would be clarified, and that GWA would come back to the PUC with another petition. There is another substantial component that Wi-Pro has recommended, so GWA will put these all together in a new petition for the amounts. GWA is seeking to automate a lot more functions to improve the customer-GWA relationship.

Commissioner McDonald asked whether GWA filled the IT Manager position. Counsel Taylor indicated that such position was for GPA. GWA has had the same IT Manager for some time. Commissioner McDonald then asked when the "go-live date" for the software was set for. The Interim GPA Manager indicated that such date was January 19, 2015. A brief discussion ensued concerning the move of GPA and GWA to the new building facility. Commissioner Pangelinan indicated that he agreed with PUC Counsel's recommendation on the contingency and that the PUC should just keep it as statutorily mandated. However, he did recommend a couple of typographical revisions to the Order. Subject to the aforementioned corrections, upon motion duly made, seconded and unanimously carried, the Commissioners approved additional expenditure authorizations for the Customer Care & Billing Software Contract with Wi-Pro and adopted the Order made *Attachment "D"* hereto.

3. Guam Power Authority

The Chairman announced that the next item of business was GPA Docket 15-01, Filing of the GPA 2015 Budget. The Chairman indicated that this item was only informational. Counsel stated that he had no particular comments but noted that GPA is now approaching a half a billion dollar a year company in terms of revenues. Counsel desired to provide the Commissioners with an opportunity to see what the GPA budgeting process was like and what items had been budgeted for.

The Chairman announced that the next order of business of GPA Docket 15-02, Petition for Review and Approval of the FY2015 GPA CIP Ceiling Cap, Lummus Consultant Report, and Proposed Order. Counsel indicated that, every year, GPA seeks approval from the Commission for its Capital Improvement Project Cap. Ordinarily, the Cap is reviewed by November 15 of each year. In this case, GPA filed it somewhat late and PUC did not have an October meeting. Thus, the PUC is addressing the matter at the present time.

GPA is now requesting the FY2015 Capital Improvement Project Cap in the amount of \$9,974,000; that amount is all for general plant expenditures, none for engineering. GPA has provided a detailed listing of matters included under general plant. Computer equipment and miscellaneous plant improvements are included. One could question the number of computers, but the statute gives GPA discretion to run the power system. GPA should be in a position to know what items it needs to purchase. There does not appear to be anything on the list that stands out as being unreasonable. The project cap requested for this fiscal year is consistent with prior year caps: \$7,363,110 for FY2013; \$10,135,760 for FY2012; \$5M for FY2011. The present cap is consistent with prior caps. In the Proposed Order, Counsel recommends that the Commission approve the FY2015

CIP Ceiling Cap in the amount of \$9,974,000 as it is consistent with prior budgets and no prudency concerns are noted. The Proposed Order would also require GPA to file a reconciliation of its CIP expenditures for FY2014. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the FY2015 CIP Ceiling Cap in the amount of \$9,974,000 and adopted the Order made *Attachment "E"* hereto.

The Chairman announced that the next item for consideration was information: GPA Docket 15-03, Filing of GPA's FY2015-2017 Construction Budget. Counsel stated that he had no specific comments on this filing. However, this year GPA merely filed its Budget, which is all that it is required to do under the Contract Review Protocol. Unlike prior years, they did not submit additional justifications. The Chairman asked when GPA intended to go out to bid for the Energy Storage System. CFO Randy Wiegand indicated the bid would go out this summer. The Chairman asked whether GPA anticipated it would have enough money for this project from the 2014 bonds, or whether it would fall short. Interim GPA GM Benavente indicated the market will determine whether the funding is sufficient. The Chairman indicated the view of PUC Consultants that the project does have a healthy cost to benefit ratio. However, he feels that there will be additional costs.

The Chairman indicated that the next item on the Agenda was GPA Docket 14-09, Petition for Use of 2014 Bond Proceeds on Projects, Slater Consultant Report, PUC Counsel Report and Proposed Order. Counsel indicated that GPA, in the present petition, seeks authorization from the PUC to use the finds that it received in the 2014 Bond Issuance (roughly \$69M). In his Report, Counsel has listed all of the projects for which GPA seeks approval. At least half of these projects, \$30M, are projects that the PUC has been aware of for considerable time. These projects first surfaced in the last rate case. At that time, GPA sought financing for \$30M worth of projects through short-term financing. The point is that all of these projects are basically known to the Commission and have conceptually been before the Commission a number of times. These include matters such as the catalytic converters that GPA put on the fast track plants (\$4.2M). GPA seeks to reimburse the Working Capital Fund for this expenditure. There are also a number of Cabras Overhauls and repairs (Cabras 1 through Cabras 4). Other projects are designed to upgrade the transmission and distribution system. There are improvements at various plants, battery backups, and distribution improvements. These had been detailed in the PUC Counsel Report. They appear to be non-controversial and are improvements which GPA needs to improve the current system.

A major new expenditure is the \$35M for the Energy Storage Project. There is a separate report from Slater-Nakamura on that project. A project of such magnitude requires a closer look than normally would be given to some of the bond projects. By GPA's own admission, and by virtue of the Slater Report, the Energy Storage Project will cost considerably more than the \$35M obtained by GPA in bond funds. Even GPA admits in its moving papers that the cost will be \$49M at this point.

Slater-Nakamura estimated that the project would cost even more. GPA's estimate did not include the annual cost of maintenance on the battery storage or fuel that would be

used. This expense could run as high as \$1.5 to \$2M a year. Thus, Slater's total estimate for the project is anywhere from \$53M up to \$68M. While Counsel believes that GPA should be able to use the bond proceeds for the Energy Storage Project, he feels that the project will require more money for GPA to bring it to fruition.

Slater-Nakamura recommends approval of the project. It finds a positive cost-benefit ratio for the project. However, in regard to the other bond projects, Counsel only had a concern with one project. He recommends approval of 25 out of the 26 projects. The project he has a concern with is "LNG Initial Start Up." GPA has secured bond funds of \$3M for that project. However, in the Petition, GPA has only provided a schedule of proposed expenditures for LNG Start Up. There is no justification, cost-benefit analysis, or explanation as to what GPA intends to spend this money on. Over the three years, the project schedule indicates that most of the \$3M is for "consulting services." There is no indication anywhere as to what consulting services would be performed, planning, or the purposes for what services would be rendered. There is not enough information for this Commission to justify approval of \$3M for LNG Initial Start Up.

Out of the \$3M there is one item which should be approved. GPA seeks approval of the amount of \$270,000 for GenOps and @RISK software implementation. This software is designed to improve the current processes that relate to generation, fuel planning and economic dispatching. Previously, Lummus Consultants had raised concerns about GPA's Strategist software and proposed that GPA secure additional software. GPA is attempting to comply with Lummus' request. Counsel recommends that GPA be authorized to fund additional software out of the \$3M. Counsel recommends that before the PUC approves any additional funds for LNG Start Up, GPA should file a separate Petition indicating amounts sought for funding, descriptions of the specific services to be performed, justifications and cost-benefit analysis. Consulting services for LNG Start Up should be bid out in accordance with Guam Procurement Law. That requirement is included in the proposed Order. Pursuant to the Order, the total amount that the PUC would approve for bond fund expenditures is \$66,270,000.

Commissioner Niven asked if the bid for Energy Storage exceeded the \$35 M amount, how GPA would fund the project. Counsel indicated that revenue/internal CIP funds would be one possibility. There is a requirement in the Order that GPA come back to the Commission after the project is bid for approval. CFO Wiegand indicated that the contract would be brought back to the PUC for final approval. He also indicated that the plan new generation project would require bond issuance in the next 12-18 months. More money could be put into that bond issuance to pay the final payment. The Commissioners noted a typographical error in the Proposed Order regarding the amounts for consulting services. There was some further discussion concerning the wording of the Proposed Order.

Interim GPA GM Benavente thanked PUC Counsel for his hard work. GPA agreed to come back with the specified needed consultant services. He did ask for one revision in the Order. Instead of stating in the Order that Consulting Services for LNG Start Up should be bid out in accordance with Guam Procurement Law, he has requested the

revision that Consulting services for LNG Start Up should be "in accordance with Guam Procurement Laws." His concern is that there are in house contracts to achieve certain needs of the cost of the whole LNG process. GPA requests that, as long as it is in compliance with procurement regulations, that it not be limited at this point on this issue. Counsel responded that the provision was placed in the Order due to concerns of the PUC regarding the PMO funding. GPA's proposal would allow GPA to merely hire the existing PMO to do the LNG initial start-up work. The Commission has had a big concern on the pricing for that. There should be a clear indication that GPA will go out to bid where experts on LNG would have the opportunity to bid for contracts involving a million dollars per year for three years, and that such amounts would not automatically be given to one contractor. Mr. Benavente indicated that a PMO would actually look at the schedule for doing this. GPA understands the concern of the PUC regarding the PMO. GPA intends to bring this matter back before the Commission at a later date.

There was further Commission discussion regarding the wording of the Order.

Commissioner McDonald asked, for information purposes, what the present US EPA requirements were concerning CO2 emissions. Mr. Benavente did not have that information available. Chairman Johnson asked if GPA could put that information together for the PUC, including on the various individual plants. Mr. Benavente indicated that such information could be provided to the PUC. Commissioner McDonald asked Mr. Benavente if he knew what percentage of emissions US EPA wished GPA to reach from current to 2020. GWA Counsel Taylor indicated that under the Clean Power Act, the state would have a certain number of years to implement the requirements. He believes that US EPA would like to see somewhere near a 70% decrease in the CO2 and greenhouse gas. Options are to come into compliance with ultra-low diesel new generation, or moving to LNG. Chairman Johnson indicated that US EPA is probably more concerned about sulphur and nitrogen oxides. GPA Counsel Botha added their concern about carbon monoxide. Mr. Benavente indicated that GPA would be proposing the 120 megawatt new generation and the deactivation of the Tanguissan plants no later than April 15, 2015. Counsel Botha thanked Commissioner Niven and Lummus Consultant Bill Fraiser for participating in the recent conference in San Francisco with the US EPA concerning compliance issues. Upon motion duly made, seconded and unanimously carried, the Commissioners authorized GPA to expend \$66,270,000 for certain 2014 Bond Projects, and adopted the Order made *Attachment "F"* hereto.

The Chairman stated that the next item of business was GPA Docket 14-12, GPA Interim LEAC Filing, Report of the PUC Chairman, Order, and Proposed Ratification Order. Counsel indicated that this was one of the situations where events transpired which needed to be addressed quickly. In November, GPA filed an interim request for the reduction of the Levelized Energy Adjustment Clause amounts. The Commission normally adjusts LEAC twice a year. Under Tariff C, there are certain circumstances when GPA can request interim LEAC relief – where GPA has already over or under

recovered \$2M during the six month period, or where GPA projects that it will over or under recover more than \$2M during the six month period. In early November, GPA filed a petition indicating that there had been a tremendous worldwide decrease in fuel prices from approximately \$91 per barrel at the beginning of the LEAC period down to a low of \$71 per barrel in October of 2014. GPA estimated that there could be an over recovery by as much as \$10M during the LEAC period, which means that customers would be billed at a much higher rate than they should be paying for the fuel price.

GPA rightfully was concerned that if it didn't do something immediately, there would be even larger decreases at the next LEAC period. Since there was no PUC meeting in November until the beginning of December, the matter needed expeditious action. Counsel consulted with the Chairman, and he determined that there should be expeditious action. The Chairman attempted to contact the other Commissioners to advise them of this situation. GPA and the CCU certainly demonstrated that there was a need to reduce the LEAC factor. GPA requested that the LEAC factor be reduced from over 17 cents per kilowatt hour to 14.8 cents. Such was a decrease of 10.21% in the total bill or \$27.67 a month.

The Chairman determined that GPA was attempting to reserve the amount of \$2M in its Petition. The Chairman felt that such amount was too high, and that more money should be returned to the ratepayers. Thus, he requested giving the ratepayers back an additional amount of \$500,000. The additional decrease in the LEAC factor meant that there would be a 11% decrease in the total bill. The Chairman issued his Report and an Order pursuant to 12 GCA § 12004, which allows the Chairman to act on behalf of the PUC in the case of an emergency or exigent circumstance. The Chairman's Order reduced the LEAC amounts as previously indicated. The request before the PUC this evening is for ratification of the Chairman's Order. There would have been an over recovery from ratepayers if they had continued to pay the same LEAC charge after fuel prices had fallen considerably. The Chairman indicated that he was able to contact four of the Commissioners but was not able to reach the other two.

Commissioner Niven thanked the Chairman for exercising his authority in an appropriate and thoughtful manner. The Chairman indicated he felt it was appropriate for GPA to have some reserve so that there would be no "rebound effect" at the next true-up in February. Most of the savings occur in the final three months of the LEAC period. The savings are \$8M, but prices are changing all the time. With the amount of the potential decrease, the Chairman felt it was wise to be a little conservative and judicious prior to the next LEAC period. Hopefully there will be another decrease coming up in February. Upon motion duly made, seconded and unanimously carried, the Commissioners ratified the Interim LEAC Order of the Chairman and adopted the Ratification Order made *Attachment "G"* hereto.

The Chairman announced that the next item for consideration was GPA Docket 14-05, Petition for Review and Approval of Contract for the Supply of Diesel Fuel to GPA, PUC Counsel Report, and Proposed Order. Previously the PUC authorized GPA to go out on the procurement for its diesel fuel oil. The contract presented by GPA in this

docket provides diesel fuel for the baseload plants, combustion turbine plants, the Mannengon diesel plant, the Talofoto diesel plant, and the Tenjo diesel plant.

In February 2014, pursuant to PUC Order, GPA issued procurement for diesel fuel. The PUC had previously found that this fuel contract is necessary so that GPA can operate its plants and provide a continuous supply of electricity to the island-wide power system. There were two bidders: Mobil Oil and IP&E. GPA received a low bid from Mobil for diesel fuel for the baseload plants, combustion turbine plants, Mannengon diesel plant, and Talofoto diesel plant. IP&E was the lowest bidder on the Tenjo diesel plant. CCU authorized the General Manager of GPA to enter into a three year contract with Mobil to supply diesel fuel to the baseload plants (Cabras 1&2, MEC 8&9, and Tanguissan 1&2). For the combustion turbine plants, the supply contract also covers TEMES CT, Dededo CT, Macheche CT, Yigo CT, and Mannengon and Talofoto. The GM was authorized to enter into a three year contract with IP&E for the supply of diesel fuel to Tenjo diesel plant.

GPA procures about 5,300,000 gallons of diesel fuel per year. The three year contract to Mobil Oil will cost approximately \$31+M. The three year cost of the contract with IP&E is over \$19M. GPA indicates that there are substantial premium savings under both contracts.

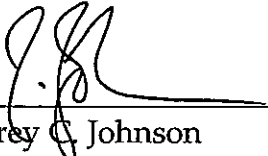
Counsel recommends that the PUC approve GPA's proposed fuel oil supply contracts with IP&E Guam and Mobil Oil Guam. GPA should be authorized to expend the amounts for those contracts indicated in its Exhibit A to the Petition. The Proposed Order would implement these understandings, finding that the fuel is in the best interest of the ratepayers of Guam. Commissioner Montinola asked why the fuel cost would be different from one plant to another per gallon. CFO Wiegand indicated that IP&E has a direct line to the Tenjo plant, so there is no truck transportation or other costs. A direct line makes the cost cheaper. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Fuel Oil Supply Contracts between GPA and Mobil Oil Guam/IP&E, and adopted the Order made *Attachment "H"* hereto.

The Chairman announced that the next item of business was GPA Docket 15-04, Petition for Approval of Financing of a Property Insurance Contract, PUC Counsel Report, and Proposed Order. Counsel indicated that the Property Insurance Contract with AM Insurance was already in effect in its first year, so technically the Commission already approved the three-year property insurance contract. GPA is required under its Bond Indenture to maintain property insurance on its facility. There is no question but that GPA needs to maintain property insurance. GPA has successfully negotiated a reduction in the amount of its property insurance for this year with AM Insurance from \$5.4M to \$5.2M or less. The main point of GPA's petition is that it seeks to finance some of the cost of the property insurance premium. GPA wishes to finance approximately \$4.4M of the cost over an eleven month period under a Commercial Finance Agreement. A copy thereof has been supplied to the Commissioners. While the interest rate in the Finance Agreement was initially 4.25%, GPA has successfully reduced the interest rate

down to 4%. Previously the PUC has approved finance agreements between GPA and its PMOs at a 4% interest rate.

Under the proposed Agreement the finance charge is about \$89,000, so that GPA ends up paying a total of over \$4.53M. Allowing GPA to finance this type of contract will provide GPA with a better cash liquidity situation. Funds could then be used for other purposes. Counsel, having examined the Financing Agreement and the proposal, and in light of prior GPA and PUC practice, recommends that the Commission approve this Finance Agreement. The Order would authorize GPA to enter into its property insurance contract again for the policy year from November 1, 2014 through November 1, 2015, and would authorize GPA to enter into the commercial premium finance agreement at the previously stated terms. Upon motion duly made, seconded and unanimously carried, the Commissioners approved GPA's property insurance contract with AM Insurance and authorized GPA to enter into a Commercial Premium Finance Agreement. The Commission adopted the Order made *Attachment "I"* hereto.

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

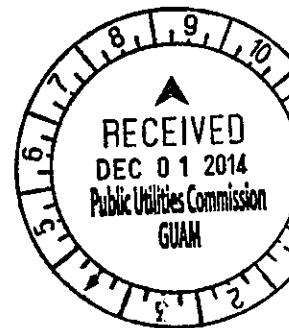


Jeffrey C. Johnson
Chairman

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
SUITE 202, GCIC BUILDING
414 W. SOLEDAD AVE. HAGATNA, GUAM
6:30 p.m., December 1, 2014**

Agenda

- 1. Approval of Minutes of September 25, 2014**
- 2. Guam Power Authority**
 - GPA Docket 15-01, Filing of Guam Power Authority 2015 Budget(Informational)
 - GPA Docket 15-02, Petition for Review and Approval of FY2015 GPA CIP Ceiling Cap, Lummus Consultant Report, and Proposed Order
 - GPA Docket 15-03, Filing of GPA FY2015-2017 Construction Budget(Informational)
 - GPA Docket 14-01, GPA Petition for Approval of the Customer Information System Contract beyond the One Million Dollar Threshold under the Contract Review Protocol, PUC Counsel Report, and Proposed Order
 - GPA Docket 14-01, GWA Petition to approve Customer Information System Expenditures by GWA beyond \$1M, PUC Counsel Report, and Proposed Order
 - GPA Docket 14-09, Petition for Use of 2014 Bond Proceeds on Projects, Slater Consultant Report, PUC Counsel Report, and Proposed Order
 - GPA Docket 14-12, GPA Interim LEAC Filing, Report of the PUC Chairman, Order, and Proposed Ratification Order
 - GPA Docket 14-05, GPA Petition for Review and Approval of Contract for the Supply of Diesel Fuel to GPA, PUC Counsel Report, and Proposed Order
 - GPA Docket 15-04, GPA Petition for Approval of Financing of Property Insurance Contract, PUC Counsel Report, and Proposed Order
- 3. Guam Waterworks Authority**
 - GWA Docket 13-01, GWA Petition for Approval of Additional \$2.458M in GWA's Program Management Office Contract with Brown & Caldwell, Lummus Consultants' Report, ALJ Report, and Proposed Order
 - GWA Docket 13-01, GWA's Annual True-Up, Lummus Consultants' Report, ALJ Report and Proposed Order
 - GWA Docket 15-01, Petition to Approve Fuel Contract with IP&E, ALJ Report, and Proposed Order
- 4. Administrative Matters**
 - PUC Administrator Report on Ipads
- 5. Other Business**



BEFORE THE PUBLIC UTILITIES COMMISSION

**PETITION OF
GUAM WATERWORKS AUTHORITY
FOR RATE RELIEF**

**GWA DOCKET 13-01
ORDER RE: ANNUAL
TRUE UP FOR FY2014
RATES**

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the PUC’s Rate Decision dated October 29, 2013, and the October 22, 2013 Stipulation between the Guam Waterworks Authority (“GWA”) and Lummus Consultants International Inc. (“Lummus”). Pursuant to the Rate Order and October 22, 2013 Stipulation, GWA is required to provide the PUC with certain updated information annually.

The protocol for the Guam Waterworks Authority (“GWA”) to apply for rate increases is to submit a Five-Year Financial Plan (“the Financial Plan”) to the Guam Public Utilities Commission (“PUC” or “Commission”).

BACKGROUND

On June 5, 2013, the Guam Waterworks Authority submitted its proposed Five-Year Financial Plan to the Commission for approval. The rate plan provided for substantial increases in each of the five years, as follows:

- 16% in FY14;
- 14.5% in FY15;
- 17.5% in FY16;
- 10% in FY17; and
- 9% in FY18

The primary reason for the substantial increases was to pay debt service on the issuance of approximately \$450M in bonds required for GWA to comply with the November 2010 Order of the United States District Court in Civil Case No. 02-00035 by upgrading and refurbishing GWA's existing water and wastewater infrastructure as required under the Clean Water Act and the Safe Drinking Water Act.

The Financial Plan, with emphasis on the first year, Fiscal Year 2014, was referred to Lummus for review. After careful review, Lummus recommended that the 16% increase for Fiscal Year 2014 be reduced to 15%. This recommendation was adopted by the PUC.

On May 30, 2014, GWA submitted its annual "true up" report (hereinafter referred to as the "Annual True Up"). GWA's second year of the Financial plan (Fiscal Year 2015) was again referred to Lummus for review. After engaging in review of information provided and collaborative discussions with GWA, Lummus issued its letter report and Appendix thereto on November 25, 2014. Its observations relative to GWA's requested 14.5% rate increase included:

- GWA's filing supports a 14.50% increase for FY2015. However, as a result of regulatory delays in receiving and evaluating data in support of GWA's FY2015 true-up and additional unavoidable delay due to the GPUC's meeting schedule, the earliest date that GWA can implement a FY2015 rate increase is December 1, 2014. In light of these delays Lummus Consultants recommends that an effective rate increase of 15.82% be implemented over a compressed 10-month period beginning on December 1, 2014. GWA did not agree to a reduction in recovery and recommends that the full increase be recovered over the ten months starting December 1, resulting in an effective increase of 17.4%.
- GWA and Lummus Consultants developed and agreed to a Joint Stipulation Agreement with regard to the FY2015 rate increase and to work together during the next 90 days to develop an enhanced

reporting paradigm for the purpose of expediting the rate case and true-up review process. The Joint Stipulation Agreement submitted for PUC approval is attached hereto.

- With regard to the 2013 Stipulation, Lummus Consultants and GWA each prepared an analysis indicating the extent to which each of the 12 points in that Stipulation were met in FY2014. The results of these analyses were discussed in teleconference calls with GWA and modifications have been made to some of the original stipulations and mutually agreed upon. A report on the performance of GWA relative to the original Stipulation has been provided with the Lummus Consultants report.

In discussions with GWA, Lummus Consultants learned that the GPA and/or the CCU submits monthly GWA Financial Statements (Schedules A through O) to the PUC and believes that being copied on these monthly submissions could assist in expediting the true up process.

On November 25, 2014, Lummus provided the ALJ with a report regarding its review of the Annual True Up. The report contained a Stipulation between GWA and Lummus, as well as updates on GWA's October 22, 2013 Stipulation, and a report discussing lag in the regulatory review process.

DETERMINATIONS

In the Annual True Up, GWA submits that the proposed rate increase for FY2015 is essentially a 14.5% increase in Basic and Non-lifeline rates across all water and wastewater customer classes.¹ GWA maintains that "[t]he main thrust of the Rate Plan will continue to be the key focus for FY2015" and which include "water supply reliability, water quality, leak detection, line repair, meter replacement and complying with requirements of the 2011 Federal Court Order."²

¹ Annual True Up, p. 3.

² Annual True Up, p. 2.

In addition, it appears that the Legislative Surcharge, which is restricted to paying for health care benefits and annuities of GWA's retirees and must be adjusted annually, will increase by 3.7%.³

In the Lummus Report, Lummus indicates that the parties have agreed on the 14.5% rate increase GWA requested for FY2015, with similar resolution on other issues. Accordingly, the result of its review has been reduced to a stipulation agreed upon by Lummus and GWA, as well as a report regarding updates to the October 22, 2013 Stipulation. Lummus also provided a discussion regarding ways to reduce regulatory lag during the review process.

Pursuant to the Stipulation, Lummus and GWA have agreed that the original 14.5% rate increase is just and reasonable.

As this matter was not ready for the Commission's review prior to October 1, 2014, both GWA and Lummus have addressed the issue of compression of rates. GWA's position is that the full 14.5% increase should be assessed over the remaining ten (10) months of the fiscal year since the parties have determined such rate to be just and reasonable (beginning December 1, 2014).

Lummus, on the other hand, maintains that only eleven (11) months of the 14.5% increase should be assessed over the remaining ten (10) months. Lummus recommends the loss of one month's increase in revenues (or about \$600,000 according to Lummus) "as incentive for GWA to work with Lummus Consultants to improve the process and alleviate the delays and lags that have resulted."⁴ In the Stipulation, Lummus states that it "has again received relevant support for GWA's rate increase on a delayed

³ Annual True Up, p. 3.

⁴ Stipulation, p. 1.

basis and finds that GWA operates under deadlines by leaving Lummus Consultants with little time for a prudency review.”⁵

The parties have further stipulated that this decision should be left to the Commission.

In response to ongoing regulatory lag, the parties have agreed to craft a plan for submission to the PUC for review, to include the following: (1) justification for any substantial modification (4% variance or any modification beyond normal annual adjustment) to expenses or revenues than what has been projected and approved in a fiscal year; (2) subject to PUC approval, GWA will provide Lummus with its monthly financial statements, annual financial reports, and audits; and (3) Lummus and GWA will examine how information should be presented for purposes of true-up reviews.

On November 26, 2014, the ALJ issued an ALJ Report discussing his review of the relevant documents on record before the Commission. In the report the ALJ found that the joint findings contained in the Stipulation were reasonable. Accordingly, the ALJ recommended that the PUC adopt the findings set forth in the November 25, 2014 Stipulation.

Based on the administrative record established in this docket, along with the representations made by the parties in the November 25, 2014 Stipulation, the ALJ found that the rate increase proposed by GWA was just and reasonable. Accordingly, the ALJ recommended that the PUC approve the recommendations relating to rate relief as described in the Stipulation; in particular, the ALJ recommended that the PUC adopt the following: that the proposed rate increase for FY2015 is essentially a 14.5% increase in

⁵ Stipulation, p. 1.

Basic and Non-lifeline rates across all water and wastewater customer classes.⁶ However, as described in the November 25, 2014 Stipulation, the parties disputed how such rate relief should be assessed. This issue remained unresolved and was left to be determined by the Commission.

Lastly, there was also a delay in reaching a consensus on issues between GWA and Lummus, which resulted in late approval of the Fiscal Year 2015 rate increase. Frequent discussions between the two parties and timely responses to data requests are needed to provide transparency in fully understanding the issues.

The Commission hereby adopts the findings made contained in the November 25, 2014 Lummus Report, the November 25, 2014 Stipulation, and the November 26, 2014 ALJ Report, and therefore issues the following:

ORDERING PROVISIONS

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

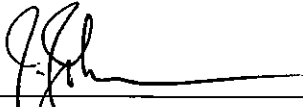
1. Approval is GRANTED for GWA to increase its rates for Fiscal Year 2015 by 14.5%, to be compressed at a rate of 17.4% effective December 1, 2014, this increase to be recovered over the 10-month period ending September 30, 2015.
2. GWA and Lummus are ordered to work together to develop an enhanced reporting framework that will expedite the review process over the next ninety days and report back to the Commission with their recommendations.

⁶ Annual True Up, p. 3.

3. Approval is granted for GWA and/or the CCU to copy Lummus with Schedules A through O of its monthly GWA Financial Statements.

4. GWA is ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with this docket. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the PUC.

SO ORDERED this 1st day of December, 2014.




JEFFREY C. JOHNSON
Chairman




ROWENA E. PEREZ
Commissioner



JOSEPH M. McDONALD
Commissioner




FILOMENA M. CANTORIA
Commissioner



MICHAEL A. PANGELINAN
Commissioner



PETER MONTINOLA
Commissioner



ANDREW L. NIVEN
Commissioner



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

RE: PETITION TO APPROVE)	GWA DOCKET 15-01
FUEL CONTRACT WITH)	
IP&E)	ORDER
)	
)	

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the October 10, 2014 Petition for Approval of GWA Fuel Contract Beyond the One Million Dollar Threshold Under the Contract Review Protocol, filed by the Guam Waterworks Authority (“GWA”) (hereinafter referred to as the “Petition”). In its Petition, GWA seeks PUC approval to approve and ratify GWA contract with IP&E for fuel.

DETERMINATIONS

In 2011, GWA issued bid number IFB-GWA-2011-15 for diesel and gasoline fuel.¹ GWA originally estimated an annual cost of \$250,000.00 per year for the fuel.² According to GWA, the bid sought a three-year contract term with two (2) options to renew at one (1) year additional terms.³ GWA maintains, however, that during the bid process, GWA’s vehicles operated by its Performance Management Contractor, Veolia

¹ Petition, p. 1.

² Petition, p. 1.

³ Petition, p. 1.

Guam, LLC (“Veolia”), were included in the contract.⁴ GWA contends that adding the Veolia vehicles to the contract significantly increased the cost.⁵

To date, GWA has expended about \$1,586,659.60 for the contract.⁶ However, GWA maintains that “[f]or reasons unknown,” GWA failed to submit the subject contract for either CCU or PUC approval, and was merely executed by GWA management.⁷

On October 28, 2014, the Consolidated Commission on Utilities (the “CCU”) issued Resolution No. 03-FY2015 (the “Resolution”). Through the Resolution, the CCU has authorized GWA to seek PUC approval of GWA’s fuel contract with IP&E.

Pursuant to 12 G.C.A. §12004, GWA may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC’s express approval. In addition, GWA’s Contract Review Protocol mandates that “[a]ny contract or obligation . . . which exceeds \$1,000,000” shall require “prior PUC approval under 12 G.C.A. §12004, which shall be obtained before the procurement process is begun”⁸

With respect to multi-year contracts, “[t]he term of a contract or obligation (procurement) will be the term stated therein, including all options for extension or

⁴ Petition, p. 1.

⁵ Petition, p. 1.

⁶ Petition, p. 1.

⁷ Petition, p. 1.

⁸ GWA’s Contract Review Protocol (“GWA CRP”), Administrative Docket 00-04, p. 1 (Oct. 27, 2005).

renewal”; and that the “test to determine whether a procurement exceeds the \$1,000,000 threshold for the PUC review and approval (the review threshold) is the total estimated cost of the procurement, including cost incurred in any renewal options.”⁹

In its Petition, GWA submitted that it obviously “needs diesel and gasoline to operate its vehicles and conduction operations” throughout Guam, as well as to “accomplish the mandates of both federal and local law.” Petition, p. 2. GWA, therefore, needs this gasoline and diesel fuel for its “fleet of trucks, heavy equipment such as backhoes, dump trucks, vacuum trucks, heavy duty pickups with utility beds, etc.” in order to operate, and that without such fuel, it “simply cannot function effectively.” Petition, p. 2.

GWA further submitted that its failure to originally request PUC approval was a complete oversight. “For reasons unknown, GWA did not submit the contract to either the CCU or the PUC for approval despite the obvious need to do so given the fact that to date, GWA has expended approximately One Million Five Hundred Eighty-Six Thousand Six hundred Fifty-Nine Dollars and Sixty Cents (\$1,586,659.60).”¹⁰

The Contract requires IP&E to provide GWA with diesel and gasoline fuel for GWA’s transportation fleet. Pursuant to the contract, IP&E is required to supply about 80,000 gallons per year of diesel fuel, and about 201,000 gallons per year of automotive gasoline.

⁹ *Id.*, p. 2.

¹⁰ Petition, p. 1.

According to the Contract, the initial contract term is for three (3) years, with an expiration on September 30, 2014, and with an option for GWA to renew the contract “for two (2) additional one (1) year term of twelve (12) months per renewal term, at the same contractual bid price offer for the entire duration of the supply service contract”¹¹ The Contract further provides a sixty-day notice right of cancellation based on the availability of funds.¹²

GWA submits that the subject Contract “is a requirements contract, which means that GWA does not, and cannot know what the total expenditures will be under the contract.” However, GWA has indicated that for FY2013, its fuel cost totaled \$532,111.28. It appears that for FY2014, its fuel cost was closer to \$600,000.00. Accordingly, it is likely that the Contract will cost GWA over \$1,000,000 should it exercise its two one-year options. However, under the Contract, GWA saves roughly Eighty-Four Cents (\$0.84) per gallon. According to GWA, based on an estimated monthly consumption of 3,500 gallons per month, on average GWA stands to save about \$35,280.00 per year. The fuel Contract is funded under GWA’s O&M.

The instant petition is supported by the Resolution issued by the CCU. In the Resolution, the CCU found that in a prior resolution, the CCU acknowledged that a fuel bid had been awarded to IP&E, but that GWA management never returned to the CCU for approval to enter into the contract.¹³ The CCU further found that in this instance, there

¹¹ IP&E Contract, p. 2.

¹² IP&E Contract, p. 2.

¹³ CCU Resolution No. 03-FY2015 (Oct. 28, 2014), p. 1.

has been no indication of bad faith or fraud in this procurement; and that this procurement is in the best interest of Guam and GWA.¹⁴

Accordingly, the CCU has ratified all payments made, or to be made, under the contract, and also has authorized GWA to petition the PUC for approval of the contract, for both the initial three-year term, as well as for the two one-year options.¹⁵ In addition, the CCU further authorized GWA to petition the PUC for approval of the entire contract, which includes the initial three-year term, as well as the two one-year options.

The Commission hereby adopts the findings made in the November 26, 2014 ALJ Report and therefore issues the following:

ORDERING PROVISIONS

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

1. That the contract with IP&E is hereby APPROVED and RATIFIED.
2. GWA is ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with this docket. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the PUC.

¹⁴ Resolution, pp. 2-3.

¹⁵ Resolution, p. 3.

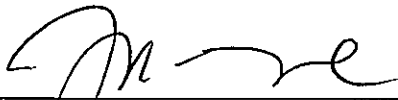
SO ORDERED this 1st day of December, 2014.



JEFFREY C. JOHNSON
Chairman



ROWENA E. PEREZ
Commissioner



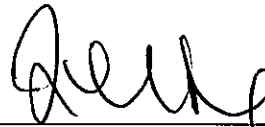
JOSEPH M. MCDONALD
Commissioner



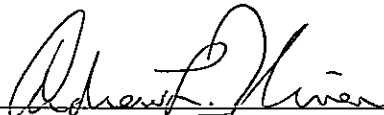
FILOMENA M. CANTORIA
Commissioner



MICHAEL A. PANGELINAN
Commissioner



PETER MONTINOLA
Commissioner



ANDREW L. NIVEN
Commissioner

P143075.JRA



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 14-01
)
The Application of Guam Power)
Authority and Guam Waterworks) **ORDER**
Authority to Approve the contract with)
Wipro Technologies for the)
Implementation of the Customer Care and)
Billing (CC&B) software package.)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petitions of the Guam Power Authority ["GPA"] and the Guam Waterworks Authority ["GWA"] for certain amendments to the Contract for implementation of the Customer Care & Billing ["CC&B"] software package with Wipro Technologies.¹

BACKGROUND

2. On October 14, 2013, GPA petitioned the PUC for approval of the replacement of its present Customer Information System (CIS) and for implementation services with Wipro Technologies regarding the Oracle Customer Care & Billing Customer Information System Software.²
3. PUC found that GPA had presented a compelling justification to implement its new CC&B software: "its current software is outdated, renders GPA subject to audit deficiencies, and does not enable GPA to take full advantage of the Smart Grid Project."³
4. PUC approved GPA's application to enter into a contract with Wipro Technologies in the amount of \$2,710,000 for fixed price implementation services for the Oracle Customer Care & Billing Customer Information System Software.⁴

¹ GPA Petition for Contract Review (Application of GPA & GWA to Approve the Contract with Wipro Technologies for the Implementation of the Customer Care & Billing (CC&B) Software Package), GPA Docket 14-01, filed November 6, 2014; GWA Petition for Approval of Customer Information System Contract beyond the One Million Dollar Threshold under the Contract Review Protocol, GPA Docket 14-01, filed October 10, 2014.

² PUC Order, GPA Docket 14-01, dated November 26, 2013, at p. 1.

³ Id. at p. 3.

⁴ Id. at p. 4.

5. The GPA Petition also included a request that the Customer Care & Billing Customer Information System Software be implemented for GWA. However, in its November 26, 2013 Order, PUC did not initially address the implementation of the CC&B project for GWA due to the absence of an identified funding source.⁵
6. PUC subsequently found that GWA was required to replace its aging Customer Information System, as such system was no longer supported by the vendor and was unable to adequately support GWA's mission.⁶ PUC authorized GWA to expend the amount of \$870,000 to Wipro for fixed implementation services for the Oracle Customer Care & Billing Customer Information System Software.⁷

DETERMINATIONS

7. The PUC adopts the findings and recommendations in the PUC Counsel Report, which was filed herein on November 28, 2014.
8. The additional expenses requested by GPA and GWA in the specified Change Orders are justified. According to the Report of PUC Consultant Slater & Nakamura, cost overruns often occur in other jurisdictions for the type of software implementation projects which GPA and GWA are undertaking.⁸
9. GWA should be required to provide additional information before it is authorized to expend amounts for "Archival/recording/ Application purchases" and "Miscellaneous costs to cover additional hardware and features relevant to core CC&B Implementation." The GWA Accounting Division should certify that the initial funds approved by the PUC for GWA, \$870,000, have already been expended and are not available for the proposed Change Orders or the other proposed work not delineated in a formal Change Request.
10. GWA should be required to provide more detailed explanations to PUC concerning the specific equipment or items it intends to purchase, the cost for each item, and the justifications therefore. These items should be reduced to written Change

⁵ PUC Supplemental Order, GPA Docket 14-01, dated December 30, 2013, at p. 1.

⁶ Id. at p. 3.

⁷ Id.

⁸ Slater, Nakamura & Co., GPA Docket 14-01, Report on the Review of the Proposed Contract with Wipro Technologies, filed November 20, 2013.

Orders if they are intended to be funded under the Wipro Contract. If explicit Change Orders are not possible, GWA should explain why.

11. GWA should further explain whether it intends to make these purchases through Wipro or other vendors, and why such computer equipment purchases should be made under the Wipro contract as opposed to being made through general plant/budget expenditures.
12. Should GWA provide satisfactory information as detailed above to the PUC, it should be authorized to expend the amounts requested for Archival/reporting/Application Purchases and Hardware Purchases and Other Features Relevant to Core CIS Implementation upon certification by PUC Counsel that GWA has provided such information and otherwise complied with the Order issued herein.
13. The proposed expenditures of both GPA and GWA for "10% Contingency" amounts to be added on to the Wipro Contract should be denied.
14. It is not a desirable practice to allow the Consolidated Commission on Utilities to add in "contingencies" to the amounts requested in contract review proceedings. There is no indication of what the "contingencies" are, whether such contingency funds are presently needed, or what purposes the contingency funds would be used for in the future.
15. The Contract Review Protocols of both GPA and GWA already provide for a 20% contingency on approved contract expenditures.⁹
16. A purpose of the contract review procedure is for the utilities and the CCU to attempt to determine the actual cost of contracts that are proposed to be entered into. Allowing for an additional arbitrary "contingency" to be built in to contract proposals is contrary to principles of cost containment and accuracy in the cost estimation process.

⁹ Contract Review Protocol for Guam Waterworks Authority, Administrative Docket 00-04, dated October 27, 2005, at p. 9; Contract Review Protocol for Guam Power Authority, Administrative Docket, dated February 15, 2008, at p. 4.

17. In addition, allowing CCU to add in a "contingency" would then allow for a "contingency upon a contingency" under the Contract Review Protocol. The 20% Contract Review Protocol Contingency would then be based upon the 10% contingency already built into the Contract.
18. Upon PUC approval of GPA's additional authorization of \$88,000 (the "additional Authorization required of \$148,000 minus the 10% contingency of \$60,000, as set forth in Exhibit "C"). GPA will have the PUC 20% contingency under the Contract Review Protocol of \$17,600 on the additional authorization required. See Exhibit "C".
19. If that 20% contingency is exceeded, GPA will be required to seek further approval from the PUC.
20. The 20% contingency available to GWA should be determined after GWA provides the information required hereunder and when PUC Counsel issues the certification provided for herein.

ORDERING PROVISIONS

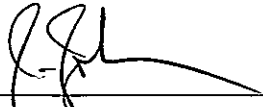
After careful review and consideration of the above determinations, the Petitions of GPA and GWA, PUC Counsel Report, and the record herein, for good cause shown and on motion duly made, seconded, and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. The PUC hereby authorizes GPA to expend up to \$3,340,000 in task orders for completion of the Customer Care & Billing (CC&B) software implementation.
2. At present, GWA is authorized to expend up to \$1,011,765 in change orders for the Customer Care & Billing (CC&B) software implementation.
3. The contingency for GWA shall be determined after it provides the information set forth herein.
4. Before GWA expends any amounts for "Archival/reporting/ Application purchases (\$82,735)" or Miscellaneous Costs to cover additional hardware and features relevant to core CC&B implementation (\$255,500), the GWA Accounting Division

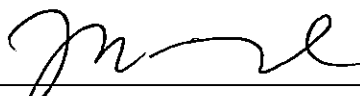
relevant to core CC&B implementation (\$255,500), the GWA Accounting Division shall certify that the initial funds approved by the PUC for GWA, \$870,000, have already been expended and are not available for the proposed Change Orders or the other proposed work not delineated in a formal Change Request.

6. GWA is be required to provide more detailed explanations to PUC concerning the specific equipment or items it intends to purchase, the cost for each item, and the justifications therefore. These items should be reduced to written Change Orders if they are intended to be funded under the Wipro Contract. If explicit Change Orders are not possible, GWA should explain why.
7. GWA is further to explain whether it intends to make these purchases through Wipro or other vendors, and why such computer equipment purchases should be made under the Wipro contract as opposed to being made through general plant/budget expenditures. GWA shall provide a written explanation to the PUC setting forth specific purchases to be made, "additional interface solutions", as well as terminals, servers, and work stations necessary to operate the CIS. Pricing for each item to be purchased shall be provided along with justifications therefore.
8. If GWA provides sufficient cost breakdowns, justifications, and the other information set forth in this Report for these additional expenditures, Counsel shall provide written certification that GWA has complied with this requirement and is authorized to expend amounts for those two categories for which no formal Change Orders have been submitted.
9. 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 1st day of December, 2014.




Jeffrey C. Johnson
Chairman




Joseph M. McDonald
Commissioner


Order
GPA and GWA Applications
To Approve Contract with
Wipro Technologies
GPA Docket 14-01
December 1, 2014



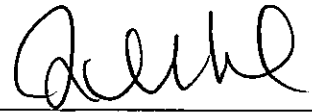
Rowena E. Perez
Commissioner



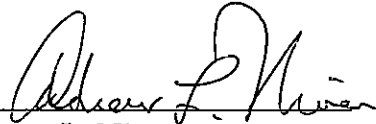
Michael A. Pangelinan
Commissioner



Filomena M. Cantoria
Commissioner



Peter Montinola
Commissioner



Andrew L. Niven
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

)
) GPA Docket 15-02
)

The Application of the Guam Power
Authority to Approve the FY2015 GPA
CIP Ceiling Cap
_____)
)

) ORDER
)
)
)

INTRODUCTION

This matter comes before the Guam Public Utilities Commission [PUC] upon GPA's Petition for Request for Approval of FY2015 GPA CIP Ceiling Cap.¹ Therein, GPA requests PUC approval of its FY2015 Capital Improvement Project Cap in the amount of \$9,974,000, which consists of General Plant (\$9,974,000) and Engineering (\$0).² The Guam Consolidated Commission on Utilities [CCU] has approved the FY2015 Capital Improvement Project Ceiling Cap requested by GPA.³

BACKGROUND

Lummus Consultants, the Commission's Independent Consultant, filed its Report on November 25, 2014.⁴ The Contract Review Protocol for the Guam Power Authority requires that GPA's annual level ("cap") of internally funded Capital Improvement Projects ("CIP") be set by the PUC before November 15th of each fiscal year.⁵

The CIP Cap proposed for FY2015 is generally consistent with the CIP Cap levels of prior years. The FY2014 Cap was \$7,363,110. The FY2013 Cap was \$10,135,760. The cap in FY2012 was \$13.581M and \$5M in FY2011.⁶

The CIPs included within the Cap are for "general plant." The expenditures are for computers, office equipment, plant improvements and other miscellaneous items.⁷ None of the projects listed exceed the \$1.5M threshold.⁸

¹ GPA Petition for Contract Review (Application to Approve the FY2015 GPA CIP Ceiling Budget), GPA Docket 15-02, filed October 2, 2014.

² Id. at p. 1.

³ Id.

⁴ Lummus Consultants Report, GPA Docket 15-02 (Review of GPA FY2015 CIP Ceiling CAP), filed November 25, 2014.

⁵ §1.F of the Contract Review Protocol, at p. 2.

⁶ PUC Order, GPA Docket 13-16, dated October 29, 2013, at pgs. 1-2.

Lummus indicates that, with regard to each internally funded CIP project, it would be “good utility practice” for GPA to include a description of each project, its justification, and an assessment of the relative prioritization of each project relative to the others such that the reviewers can better understand why the proposed projects and associated spending is warranted.⁹ It recognizes, however, that such review is not required under regulation or the Contract Review Protocol.¹⁰

DETERMINATIONS

Based upon the recognition that the FY2015 general plant budget is consistent with that of prior fiscal years, and subject to GPA’s ability to carry out the capital improvement projects using internally-funded dollars, the \$9,974,000 Ceiling Cap should be approved.

The PUC finds that GPA’s FY2015 Internally funded CIP ceiling cap, consisting of general plant in the amount of \$9,974,000, should be approved. Such CIP cap is reasonable, prudent and in the interest of the ratepayers.

ORDERING PROVISIONS

Upon consideration of the record herein, the Petition of GPA, the Lummus Report and for good cause shown, on motion duly made, seconded, and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby **ORDERS** that:

1. The GPA FY2015 internally funded CIP ceiling cap, which consists of General Plant, is approved in the amount of \$9,974,000.
2. The General Plant budget is consistent with prior budgets and appears reasonable; no prudence concerns are noted.
3. GPA shall file a complete reconciliation of the FY2014 expenditures on or before December 15, 2014, as required by the Contract Review Protocol.

⁷ GPA Petition for Contract Review (Application to Approve the FY2015 GPA CIP Ceiling Budget), GPA Docket 15-02, filed October 2, 2014, Attachment 1.

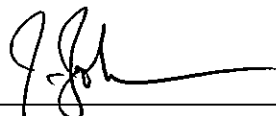
⁸ Id. at Attachment 1.

⁹ Lummus Consultants Report, GPA Docket 15-02(Review of GPA FY2015 CIP Ceiling CAP), filed November 25, 2014, at p. 1.

¹⁰ Id.

4. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 1st day of December, 2014.



Jeffrey C. Johnson
Chairman



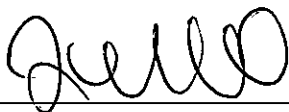
Rowena E. Perez
Commissioner



Joseph M. McDonald
Commissioner



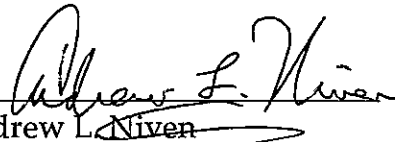
Michael A. Pangelinan
Commissioner



Peter Montinola
Commissioner



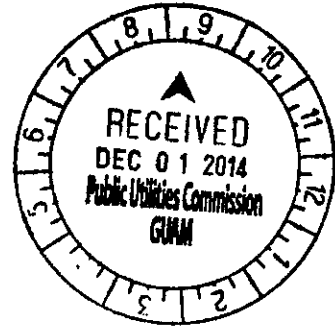
Filomena M. Cantoria
Commissioner



Andrew L. Niven
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 14-09
)
Guam Power Authority's Request for Use)
of 2014 Bond Proceeds on Projects)
)
)
_____)



ORDER

This matter came before the Guam Public Utilities Commission ["PUC"] upon Guam Power Authority's ["GPA"] Petition for Use of 2014 Bond Proceeds on Projects.¹ On July 31, 2014, the PUC approved the 2014 GPA Revenue Bond issuance.² At that time, PUC was advised by GPA as to the specific projects for which it would seek PUC approval; GPA attached a listing to its petition of the specific Capital Improvement Projects intended to be funded by bond financing, and the amount for each project.

PUC Counsel issued his Report herein on November 17, 2014.³ Counsel recommends that the PUC approve 25 of the 26 projects which GPA seeks to fund from bond proceeds under the 2014 Revenue Bond issue.⁴ The only project for which Counsel does not recommend approval at present is the LNG Initial Start Up, which GPA seeks to fund in the amount of \$3M.⁵

For each of the projects for which PUC Counsel recommends approval, GPA has provided detailed project descriptions, justifications, consideration of alternatives, and cost-benefit analyses.⁶ In each case, GPA's projections showed that the benefits of the projects outweigh the costs. Overall, projects such as the Cabras Overhauls and Maintenance, Environmental Compliance Program, Fadian SCADA System, Energy Storage and Renewable Energy Mitigation, and other repairs and upgrades to the generation, transmission and distribution systems should improve the reliability of the Island Wide Power System and further protect it against potential harm and damage. PUC finds that each of the 25 proposed projects are prudent and in the interest of ratepayers.

In its 2014 Bond Project List, GPA has indicated funds in the amount of \$3M for "LNG Initial Start Up." Attached to GPA's Petition is a chart showing MONTHLY CASH FLOWS for LNG Initial Start Up of \$3M over three years. The vast bulk of such expenditures are for "CONSULTING SERVICES," totaling over \$936,000 for each year. However, there is no description in the Petition as to what services are involved or what

¹ GPA Petition for Use of 2014 Bond Proceeds on Projects, GPA Docket 14-09, filed October 3, 2014.

² PUC Order Approving Revenue Bonds and Order Approving Long Term Debt, GPA Docket 14-09, issued July 31, 2014.

³ PUC Counsel Report, GPA Docket 14-09, issued November 17, 2014.

⁴ Id. at p. 3.

⁵ Id. at p. 4.

⁶ See Project Descriptions attached to GPA's Petition for Use of 2014 Bond Proceeds on Projects.

However, there is no description in the Petition as to what services are involved or what consulting services are needed.⁷ Counsel does recommend approval for one project to be funded out of the \$3M for LNG Initial Start Up: Generation Operations (Gen OPS) and @RISK Software Implementation. This software is designed to assist GPA in the processes that relate to generation, fuel planning, and economic dispatching.⁸ Counsel recommends that expenditure for such software in the amount of \$270,000.00 should be approved from the \$3M budget for LNG Initial Start Up.⁹

Before GPA seeks additional funds for LNG Start Up, it should file a separate petition or petitions with the PUC indicating specific amounts sought for funding, descriptions of the specific services to be performed, justifications, and cost-benefit analyses. Any Consulting Services for LNG Start Up should be bid out in accordance with Guam procurement laws.¹⁰

Based upon the recommendation of Slater, Nakamura & Co., PUC Consultant, it is recommended that \$35M for the Energy Storage and Renewable Energy Mitigation project be approved.

Ordering Provisions

Upon consideration of the record herein, the Petition of GPA for Use of 2014 Bond Proceeds on Projects, the PUC Legal Counsel Report, and for good cause shown, upon motion duly made, seconded and unanimously carried by the affirmative vote of the undersigned Commissioners, the Commission hereby **ORDERS** that:

1. The PUC hereby adopts the reasoning in the PUC Counsel Report and the Slater, Nakamura & Co. Report filed herein.
2. 25 of the 26 projects listed by GPA in its petition, with the exclusion of LNG Initial Start Up, are approved for funding in the amounts requested.
3. The 25 approved 2014 Bond Projects for which GPA seeks to expend bond funds are reasonable, prudent and necessary.
4. GPA is additionally authorized to expend \$270,000.00 from the LNG Initial Startup Funds for the GenOPS and @RISK software. However, Before GPA seeks

⁷ PUC Counsel Report, GPA Docket 14-09, issued November 17, 2014, at p. 9.

⁸ Id. at pgs. 9-10.

⁹ Id.

¹⁰ Id. at p. 10.

additional funds for LNG Start Up, it should file a separate petition or petitions with the PUC indicating specific amounts sought for funding, descriptions of the specific services to be performed, justifications, and cost-benefit analyses. Any Consulting Services for LNG Start Up should be bid out in accordance with Guam procurement laws. In accordance with the Contract Review Protocol, GPA must seek authorization for such procurement before the procurement process begins.

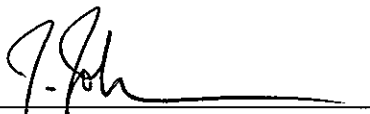
5. GPA is authorized to expend \$270,000.00 for the Gen OPS and @RISK Software, said amount to come from the \$3M for LNG Initial Start Up. However, before GPA seeks additional funds for LNG Start Up, it should file a separate petition with the specific amounts it seeks to fund, descriptions of the specific consulting services, justifications, and cost-benefit analyses. Consulting services for LNG Start Up should be bid out in accordance with Guam procurement laws.
6. Approval is granted for the following projects, and in the following amounts:

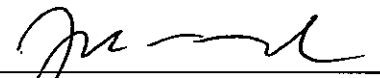
Projects	Total Costs
Cabras 1 – Major Boiler Overhaul	\$1,460,000.00
Cabras 3&4 Major O&M	\$2,100,000.00
Environmental Compliance Program (Diesel Rice MACT)	\$4,220,000.00
Fadian SCADA System	\$1,800,000.00
Energy Storage and Renewable Energy Mitigation	\$35,000,000.00
Cabras 2 – Turbine and Boiler Overhauls	5,683,000.00
Dededo CT Return to Service Inclusive of Stator/Rotor Repair	\$2,020,000.00
Cabras Compound Employee and Visitor Parking Lot	\$400,000.00
Diesel Plant MOMs and Fuel Oil Tank Repairs	\$1,091,000.00
Generator Protection Upgrade with Fault Recorders	\$580,000.00
Piti 115 kV GIS Major Maintenance	\$700,000.00
Agat Shoreline Pole Restoration Project	\$384,000.00
System Protection Improvement & Cap Bank Controllers	\$1,312,000.00
Substation Major Refurbishment – San Vitores T-112, Harmon T500 and T501, Macheche T90	\$540,000.00
34.5 kV Breaker Upgrades	\$355,000.00
13.8 kV Breaker Upgrades	\$400,000.00
Substation Battery Banks/Chargers Upgrade	400,000.00
Network Communication – Fiber to Fadian Complex	\$1,100,000.00
Mobile Workforce Management	\$500,000.00
Distribution Improvements	\$240,000.00
Facilities Physical Security	\$1,350,000.00
Information Technology (IT) Upgrades	\$1,100,000.00
Harmon X82 to Yigo X160 Overhead Line Upgrade	\$2,470,000.00
SGIG (not covered by grant)	\$630,000.00


LNG Initial Startup (but, at present, only for Gen OPS and @RISK Software)	\$270,000.00
Dededo Substation Capacitor Bank	\$165,000.00
Grand Total	\$66,270,000.00

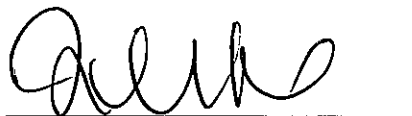
7. With regard to the Energy and Renewable Energy Mitigation project in the amount of \$35M, GPA should seek prior approval from the PUC before issuing the procurement.
8. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

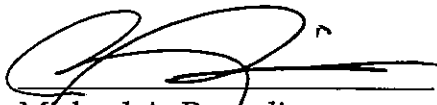
Dated this 1st day of December, 2014.



Jeffrey C. Johnson
Chairman



Joseph M. McDonald
Commissioner


Rowena E. Perez
Commissioner


Peter Montinola
Commissioner


Michael A. Pangelinan
Commissioner


Andrew L. Niven
Commissioner


Filomena M. Cantoria
Commissioner

Order
Request for Use of
2014 Bond Proceeds on Projects
GPA Docket 14-09
December 1, 2014

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



GUAM POWER AUTHORITY
LEVELIZED ENERGY ADJUSTMENT
CLAUSE [LEAC]

GPA DOCKET 14-12

RATIFICATION ORDER

This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Order in this Docket dated November 6, 2014, which was signed by Chairman Jeffrey C. Johnson.¹ In the Report of the PUC Chairman², Chairman Johnson examined the "Interim LEAC Filing" of the Guam Power Authority ["GPA"] dated October 29, 2014.³ Upon reviewing the GPA Filing, the Chairman, acting on behalf of the Commission pursuant to 12 GCA §12004, approved GPA's request for an adjustment to the Fuel Recovery Factor. Effective November 1, 2014, the customer LEAC factor was reduced from \$0.17644/kWh to \$0.146666/kWh. The current rates for the Working Capital Surcharge were continued in effect.⁴

Furthermore, effective November 1, 2014, adjusted LEAC rates for consumers at various voltage levels were determined to be as follows⁵:

Customer	
Secondary - 13.8 KV	0.146666
Primary - 13.8 KV	0.141008
34.5 KV	0.140485
115 KV	0.138255

The Order further established that no LEAC adjustment would be effective without the prior approval of the Guam Public Utilities Commission.

Finally, the Order executed by the Chairman indicated that such order was "interim" and would remain in effect until further action was taken by the full Commission.⁶ It is the intent of the Guam Public Utilities Commission that the Order of the Chairman, dated November 6, 2014, be ratified, adopted and affirmed herein by the full Guam Public Utilities Commission.

¹ PUC Order, GPA Docket 14-12, dated November 5, 2014.

² Report of the PUC Chairman, GPA Docket 14-12, dated November 5, 2014.

³ GPA Interim LEAC Filing, GPA Docket 14-12, dated October 29, 2014.

⁴ Id. at p. 5.

⁵ Id.

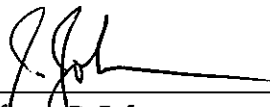
⁶ Id.

ORDERING PROVISIONS

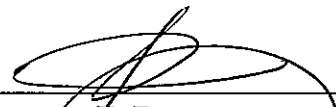
After a thorough review of the record herein, including GPA's Interim LEAC Filing, the Report of the PUC Chairman, and the Order dated November 6, 2014, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. The Report of the PUC Chairman is hereby adopted and incorporated herein.
2. The Order, executed by the Chairman on November 6, 2014, is hereby adopted, approved, ratified, and affirmed.

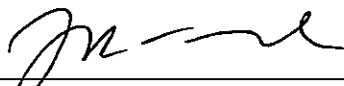
Dated this 1st day of December, 2014.




Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner




Joseph M. McDonald
Commissioner



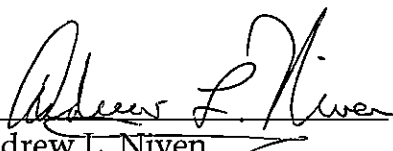
Michael A. Pangelinan
Commissioner



Peter Montinola
Commissioner



Filomena M. Cantoria
Commissioner



Andrew L. Niven
Commissioner



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 14-05
)
THE APPLICATION OF THE GUAM)
POWER AUTHORITY TO APPROVE) **ORDER**
THE CONTRACT FOR SUPPLY OF)
DIESEL FUEL OIL TO GPA.)
_____)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Guam Power Authority's ["GPA"] Petition to Approve the Contract for Supply of Diesel Fuel Oil to GPA.¹
2. The current GPA Diesel Fuel Oil contract with IP&E Guam expires on November 30, 2014. GPA seeks PUC approval for a new contract for the Supply of Diesel Fuel Oil for the Baseload Plants, Fast-track Diesel Plants and Combustion Turbine Plants.

BACKGROUND

3. On February 25, 2014, the PUC issued an Order approving GPA's request to proceed with the procurement for supply of Diesel Fuel to GPA for the Baseload Plants, Fast-track Diesel Plants, and the Combustion Turbine Plants.²
4. The PUC determined that "Diesel fuel assists GPA in providing a stable and uninterrupted supply of electricity to meet the island-wide utility power demand."³
5. PUC further determined that GPA was required to issue an Invitation for Bids for Diesel Fuel Oil so that it could secure a new contract which would provide GPA with a continuous supply of fuel necessary to maintain the Authority's electric power generation capacity.⁴
6. After the PUC approved GPA's request to procure a new fuel oil contract, the GPA Procurement Office issued a public bid for the provision of diesel fuel oil, Bid No.

¹ GPA Petition to Approve the Contract for Supply of Diesel Fuel Oil to GPA, GPA Docket 14-05, filed November 7, 2014.

² PUC Order, GPA Docket 14-05, dated February 25, 2014, at p. 3.

³ Id. at p. 2.

⁴ Id.

GPA-029-14, describing the type of services required and specifying the type of information and data required of each offeror.⁵

7. IP&E and Mobil Oil Guam both submitted bids for GPA's consideration; Mobil Oil Guam was determined to be the lowest, most responsive bidder to provide diesel fuel oil to the Baseload Plants, Combustion Turbine Plants, Manenggon Diesel Plant, and Talofofo Diesel Plant.⁶
8. IP&E Guam was determined to be the lowest, most responsive bidder to provide diesel fuel oil to the Tenjo Diesel Plant.⁷
9. The CCU authorized the General Manager of GPA to enter into a three year contract with Mobil Oil Guam for the supply of diesel fuel Oil No. 2 to the Baseload Plants (Cabras 1&2, MEC 8&9, and Tanguissan 1&2), Combustion Turbine Plants (TEMES CT, Dededo CT, Macheche CT, and Yigo CT), and Medium Speed Diesel Plants (Manenggon and Talofofo).⁸
10. The General Manager of GPA was further authorized to enter into a three-year contract with IP&E Guam for supply of diesel fuel oil to the Tenjo Diesel Plant.⁹ Both contracts were subject to PUC approval.
11. PUC Counsel submitted his Report herein on November 15, 2014.¹⁰

DETERMINATIONS

12. The PUC already previously determined that a continuous supply of diesel fuel oil is necessary for GPA to maintain its electric power generation capacity. If the PUC did not approve the current request, GPA would be left without a diesel fuel oil supply after November 30, 2014.
13. GPA procures approximately 5,300,000 gallons of diesel fuel oil per year.¹¹ The proposed contracts with IP&E Guam and Mobil Oil Guam should enable GPA to meet its diesel fuel oil requirements.

⁵ Guam Consolidated Commission on Utilities Resolution No. 2014-37, issued August 12, 2014, at p. 1.

⁶ Id.

⁷ Id. at p. 2.

⁸ Id. at p. 3.

⁹ Id.

¹⁰ PUC Counsel Report, GPA Docket 14-05, dated November 15, 2014.

14. The draft contract forms which will be used with the selected bidders, IP&E and Mobil Oil Guam, appear to adequately protect the interests of GPA and the ratepayers of Guam.¹²
15. It appears that the new diesel fuel oil supply contracts will derive savings for the ratepayers over the prices in the prior contract. The IP&E Contract will bring estimated total Premium Fee savings of approximately \$880,000.00 per year or a total of \$2,640,000.00 for the three-year contract period.¹³
16. The Mobil Oil Guam Contract will bring estimated total Premium Fee savings of approximately \$755,200.00 per year or a total of \$2,265,600.00 for the three-year contract period.¹⁴

ORDERING PROVISIONS

Upon consideration of the record herein, the Petition of GPA, the PUC Counsel Report, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's awards of the Diesel Fuel Oil Contracts to IP&E Guam and Mobil Oil Guam are hereby approved.
2. GPA should be authorized to expend amounts for the Fuel Oil Supply Contracts with IP&E Guam and Mobil Oil Guam in accordance with the bid awards and the terms, conditions, and prices set forth in Exhibit A to the Petition.
3. GPA shall file copies of the final Diesel Fuel Oil Contracts with the PUC.
4. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12002(b) and 12024(b), and

¹¹ GPA Petition to Approve the Contract for Supply of Diesel Fuel Oil to GPA, GPA Docket 14-05, Exhibit A.

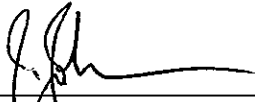
¹² PUC Order, GPA Docket 14-05, dated February 25, 2014, at pgs. 2-3.

¹³ Id.

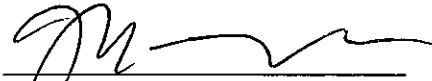
¹⁴ Id.

Rule 40 of the Rules of Practice and Procedure before the Public Utilities
Commission.

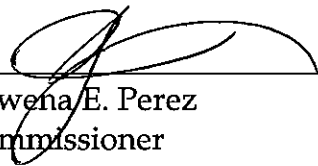
Dated this 1st day of December, 2014.



Jeffrey C. Johnson
Chairman



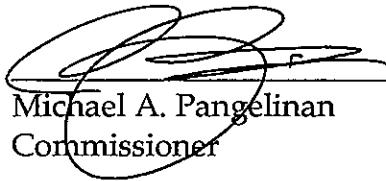
Joseph M. McDonald
Commissioner



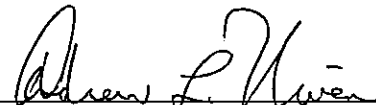
Rowena E. Perez
Commissioner



Peter Montinola
Commissioner



Michael A. Pangelinan
Commissioner



Andrew L. Niven
Commissioner



Filomena M. Cantoria
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 15-04
)
The Petition of the Guam Power Authority)
for Approval of Financing for the) **ORDER**
Insurance Contract with AM Insurance)
)
_____)



INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon Petition of Guam Power Authority ["GPA"] for Approval of Financing for the Insurance Contract with AM Insurance.¹
2. GPA presently maintains its property insurance through a contract with AM Insurance. The renewal period for such insurance will commence November 1, 2014 for a one year period.²
3. GPA requests that the PUC approve the renewal contract with AM Insurance for the 2014-2015 policy year with a total payment not to exceed \$5,250,000, and with a financing agreement at an interest rate of 4.00% on premium payments to be made over the 12 month policy period.³

BACKGROUND

4. In its Order dated October 29, 2013, the PUC approved GPA's property insurance contract with AM Insurance for the policy period beginning November 1, 2013 through November 1, 2016.⁴
5. In its Order, the PUC authorized GPA to expend \$5.4M for the annual cost of the property insurance policy. Upon evidence presented to it, PUC found that the program for the proposed policy was in line with that of recent policies.⁵

¹ GPA Petition for Approval of Financing for the Insurance Contract with AM Insurance, GPA Docket 15-04, filed November 6, 2014.

² Id. at p. 1.

³ Id.; although GPA's Petition indicated a 4.25% interest rate, GPA's subsequent email, and Commercial Premium Finance Agreement with First Insurance Funding, provided to Counsel on November 13, 2014, establish that the interest rate will be 4%. Email from Graham Botha, GPA Counsel, to Fred Horecky, PUC Counsel, dated November 13, 2014.

⁴ PUC Order re: GPA Petition for Approval of Insurance Contract with AM Insurance, GPA Docket 13-04, dated October 29, 2013.

⁵ Id. at p. 2.

6. PUC further determined that GPA was required by its Bond Indenture Agreement to maintain property insurance coverage to ensure that such policy is in place.⁶ GPA's proposed property insurance coverage with AM Insurance was found to be reasonable, prudent, and necessary.⁷
7. The Guam Consolidated Commission on Utilities, in Resolution No. 2014-53, authorized GPA to enter into a contract with AM Insurance for a total payment not to exceed \$5,250,000 for the property insurance, and to execute a financing agreement with an interest rate of 4.25% to allow for the premium payments to be made over the next 12 months.⁸
8. PUC Counsel filed his Report herein on November 16, 2014.⁹

DETERMINATIONS

9. The PUC had previously approved an annual property insurance payment to AM Insurance in the amount of \$5.4M. GPA has successfully negotiated a property insurance contract for the upcoming year in an amount less than that previously approved by the PUC (\$5,250,000.00).
10. GPA has little choice but to maintain its property insurance coverage, in accordance with the requirements in its Bond Indenture Agreement.
11. GPA's property insurance contract with AM Insurance should be approved for the annual policy year commencing on November 1, 2014. GPA's proposed property insurance program is reasonable, prudent and necessary
12. GPA further seeks authorization to finance a portion of its property insurance premiums over an eleven month period.¹⁰ GPA should be authorized to finance its property insurance premiums in accordance with the terms of its Commercial

⁶Id.

⁷ Id.

⁸ Guam Consolidated Commission on Utilities Resolution No. 2014-53, Relative to the Authorization to Authorize the Guam Power Authority to Accept Premium Rates for the Upcoming Property Insurance Policy Period and to Execute a Financing Agreement for Same, adopted October 27, 2014.

⁹ PUC Counsel Report, GPA Docket 15-04, dated November 16, 2014.

¹⁰ See Commercial Premium Finance Agreement between GPA and First Insurance Funding, dated October 31, 2014.


Premium Finance Agreement with First Insurance Funding. The 4% interest rate is reasonable; such financing will assist GPA in meeting its financial obligations.

ORDERING PROVISIONS

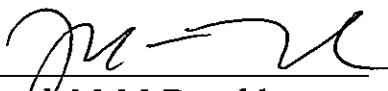
After review of the record herein, GPA's Petition for Approval of Financing for the Insurance Contract with AM Insurance, and the PUC Counsel Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA is hereby authorized to enter into its property insurance contract with AM Insurance for the policy period beginning November 1, 2014 through November 1, 2015, in a total amount not to exceed \$5,250,000; such property insurance is approved.
2. GPA is further authorized to enter into the Commercial Premium Finance Agreement with First Insurance Funding, at an interest rate of 4.00%, and to finance its property insurance premiums. Payments thereunder, approximately \$412,039.45 per month, should be made over an eleven month period in accordance with the Agreement.
3. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 1st day of December, 2014.




Jeffrey A. Johnson
Chairman




Joseph M. McDonald


Order
Petition for Approval of Financing
For Insurance Contract with AM Insurance
GPA Docket 15-04
December 1, 2014



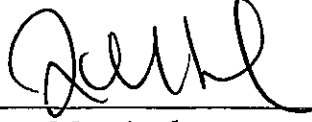
Rowena E. Perez
Commissioner



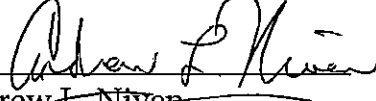
Michael A. Pangelinan
Commissioner



Filomena M. Cantoria
Commissioner



Peter Montinola
Commissioner



Andrew L. Niven
Commissioner