

GUAM PUBLIC UTILITIES COMMISSION  
SPECIAL MEETING  
DECEMBER 10, 2015  
SUITE 202, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a special meeting commencing at 6:40 p.m. on December 10, 2015, pursuant to due and lawful notice. Commissioners Johnson, Perez, Cantoria, McDonald, Pangelinan, Montinola 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 October 29, 2015. Upon motion duly made, seconded and unanimously carried, the Commission approved the minutes subject to correction.

**2. Guam Waterworks Authority**

The Chairman announced that the next item of business on the agenda was GWA Docket 15-10, Petition for Approval of the Issuance and Sale of the Guam Waterworks Authority Water and Wastewater Revenue Bonds, ALJ Report, and Proposed Order. ALJ Alcantara indicated that the matter concerned GWA's request for approval to issue up to \$162M for water and wastewater revenue bonds. GWA's petition sought PUC approval for issuance of these bonds in order to fund certain capital improvement projects necessary to meet the Federal Court order, as well as to fund capitalized interest and a debt service reserve account. GWA has identified the projects that benefit from the bond funding and has also submitted its Capital Improvement Plan for FY2015-2020. This Plan contains a more detailed list of the projects. GWA requested \$87.148M for 20 potable water projects, including tank replacements and repairs, new fire hydrants, and a continuation of GWA's meter replacement program.

\$28M was needed for seven wastewater projects including wastewater system planning, sewage pump station upgrades, planning and design for Umatac-Merizo STP Improvement Project, and planning and design of the new wastewater treatment facility at the Umatac-Merizo STP site. \$8.7M will fund five electrical engineering projects, \$3.8M for four other miscellaneous projects as well as some information technology improvements. The total bond funding, GWA seeks roughly \$128M to \$129M to fund the projects; there will also be \$11.4M for debt service reserve, \$7.7M for capitalized interest for two years, and \$3.2M for cost of issuance as well as underwriter's discount.

The bonds will mature after 30 years. The ALJ then discussed scenarios under which capitalized interest would be completely eliminated or reduced to just one year. Elimination of capitalized interest or reduction to just one year would require GWA to implement substantial rate increases. He further indicated that GWA's Petition is supported by CCU resolution 09-FY2015, which approved the bond documents, including the supplemental indenture, the supplemental continuing disclosure agreement and the bond purchase agreement. There is also a Guam Economic Development Authority Resolution approving the bond purchasing and documentation.

The Consulting Engineers Report discusses the condition of GWA's current water and wastewater systems. The supplemental indenture is in relatively the same form as the Indenture which the PUC reviewed for the 2013 Series bonds. The ALJ recommended approval of GWA's request to issue the 2016 bonds in the amounts indicated in the Petition, and that the Commission also approves the terms and conditions of the 2016 revenue bonds as contained in the proposed documents.

The Chairman asked why there was a variance from 9 to 17 percent in rate increases depending on whether capitalized interest was eliminated or reduced to one year. GWA CFO Greg Cruz did not have the figures available. He confirmed that, for one year capitalized interest, there would probably be a 10% increase on top of the previously approved 7% increase. The Chairman indicated that the capitalized interest for two years would reduce debt service payments by approximately \$10M for the next fiscal years.

The Chairman asked Mr. Cruz what the prevailing interest rate would be for the bonds. CFO Cruz indicated that GWA used five and a half percent for its projections; however, based on its latest communications with underwriters, GWA would be looking at between four and a half and five percent interest. The Chairman confirmed that if capitalized interest was reduced from two years to one, the amount of money that GWA would have to borrow would drop by about \$9M. The Chairman indicated that the spreadsheets provided by GWA did not answer the question of how many of the 2010 and 2013 bond issuance projects had actually been finished. CFO Cruz confirmed that was correct and that the Commissioners could not ascertain from such spreadsheets which projects have been done and how far they have progressed. CFO Cruz indicated he would provide the Commission with such information at the next meeting.

Commissioner Niven indicated that if interest were capitalized for two years, everything else being equal, the increase in the third year would probably be \$10M. CFO Cruz confirmed that was correct. CFO Cruz indicated that 7% and 4% rate increases for the next two fiscal years would be sufficient to cover the debt service if there was two years of capitalized interest on the bonds. Commissioner Niven also confirmed that GWA's five year rate plan took into consideration the debt service on the proposed bond issuance. The Chairman asked whether the rate increases in GWA's five

year rate plan included debt service on the 2013 and 2015 bonds. CFO Cruz confirmed that the five year plan encompassed both of the bond issuances. The Chairman indicated that if the ratepayers wished to save \$9M on this bond issuance, they would have a further 10% rate increase. CFO Cruz concurred.

Commissioner Niven asked how the PUC could calculate a better deal for ratepayers collectively, i.e., whether the capitalized interest should be for two years, one year, or not at all. CFO Cruz indicated that there were merits to each approach. However, he felt that bond holders liked the cushion provided on the capitalized interest to make debt service payments. Furthermore, with construction projects, it takes a couple of years for those projects to be put into service where they start generating revenues. With two years of capitalized interest, there is a lesser rate impact in terms of the increases. The Chairman indicated the concern that the capitalized interest, which both GWA and GPA previously had at three years, would require a portion of the bond to be diverted to buying additional time on repayment rather than building to make improvements. The PUC wished to bring down the capitalized interest so that more of the money that the ratepayers were borrowing was going to capital improvement projects.

GM Benavente of GPA indicated that capitalized interest is designed to smooth in rate increases. There is a minimal impact on ratepayers. Commissioner Niven asked ALJ Alcantara if the Orders were drafted for providing two years of capitalized interest. ALJ Alcantara indicated that the capitalized interest was not specified in the Order, but could be amended to specifically require GWA to implement whatever capitalized interest rates the Commission chooses. Commissioner Pangelinan indicated that one Order was required by bond counsel; capitalized interest could be set forth in the other Order. Commissioner Cantoria asked if new bond funds were needed, as many of the projects in the 2013 bond issuance have not been undertaken and the money has not been encumbered. CFO Cruz indicated that by March 1, GWA will need the money in the bank to be able to certify that funds are available for projects for the procurements that are put out for bid. It is critical that the financing for the Agat-Santa Rita Wastewater Treatment Plant be secured.

The Chairman indicated a concern with the acceleration of the rate path recently. Brown & Caldwell indicated that water and wastewater bills are 3.2% of the average income of the average resident of Guam. In the United States it is only 2%. The PUC does not want a situation where the bond funds are just sitting and not being used to get projects done. There has been a major rate impact on the ratepayers. The PUC needs the spreadsheets to indicate the status of the previous bond projects. Commissioner Niven indicated that, based upon the language of the Orders, it appeared that capitalized interest would be more like 18 months, rather than two years. CFO Cruz indicated that was possible. Commissioner Niven and Chairman Johnson stated that they were comfortable with two years of capitalized interest, particularly as it actually appeared to be one and a half years. The Chairman asked CFO Cruz whether, with two

years capitalized interest, GWA was still agreeable to the 7% rate increase for the next fiscal year and then a 4% increase the fiscal year thereafter. CFO Cruz indicated that was GWA's best estimate.

The Chairman indicated to CFO Cruz that, for the next PUC meeting, the PUC wants information on the previous bonds, the level of projects that are actually completed, those that are started, and how complete the projects are. Commissioner Perez stated that the spreadsheet should indicate whether funds encumbered or set aside. She wanted to see what percentage of the projects is done and the dollar amount. CFO Cruz indicated that such a breakdown could be provided. Commissioner Pangelinan asked whether it was possible that there were some projects on the list that GWA did not proceed with, that circumstances had changed or whether they were not as much of a priority; perhaps there was unused money already available that could be used for these projects. CFO Cruz indicated that bond holders do ensure that GWA spends the borrowed funds in a timely fashion. CFO Cruz indicated that GWA considers the outstanding projects, the cost associated with these projects, and when the monies are going to be expended.

Commissioner Montinola asked whether, if all the funds were encumbered, would there be any available funds for the projects. CFO Cruz indicated that before bids are put out, GWA must assure that there is available funding for the project. Commissioner Cantoria wanted GWA to provide the cumulative amounts that it expects to spend on each of the projects. It appears that 2013 bond funds are just sitting and nothing has been done with the projects. Ratepayers are paying interest on that money. CFO Cruz indicated that many construction projects are done in phases, not all the funds are encumbered at one time. Commissioner Cantoria indicated that the PUC wants to know whether GWA plans to proceed with these projects or is just taking its time. \$2M was borrowed for land survey projects in 2013, but nothing has happened since then. GWA is again seeking to borrow money for land surveys. Commissioner Perez and the Chairman asked whether the \$70M proposed for the 2018 bond was all inclusive, including principal, debt service reserve, capitalized interest and cost of issuance. CFO Cruz indicated that it was all inclusive. CFO Cruz could not answer Commissioner McDonald's question as to whether there were any projects that haven't even yet been started.

The Chairman asked CFO Cruz to itemize the court ordered and regular CIP projects in the spreadsheet breakdown. Commissioner McDonald asked what GWA's timeline was for the bond issuance of \$160M. CFO Cruz indicated it was around mid-February for the financing. In response to various questions from the Commissioners, CFO Cruz indicated that the PUC can use the \$160M as the amount GWA is seeking to borrow. Upon motion duly made, seconded and unanimously carried, the Commissioners approved GWA's request to issue bonds and to incur long term debt in the amount of \$160M, with capitalized interest at two years. The Chairman reminded CFO Cruz that the Commission did want the spreadsheets; GWA is also reminded of its obligation in

the Order to provide reports to the PUC within 45 days after the close of each quarter on the actual use of the bond funds. The Commissioners adopted the Order made *Attachment "B"* hereto.

### **3. Guam Power Authority**

The Chairman announced that the next item of business on the agenda was GPA Docket 08-10 (Net Metering Tariff), ALJ Letter regarding Proposed Payment by GPA and Excess Customer Credit for Net Metering Power Production, GPA response, ALJ Report and Proposed Order. Counsel indicated that ALJ Alcantara had sent a letter to GPA indicating that PUC was examining certain language in Tariff C which provided: "in no even shall the excess credit from a single month be carried forward beyond 12 months as a credit against the current monthly billing. At the end of each calendar year or in the event of termination of service under this tariff rider, any excess kilowatt hour of credits, if any, would be granted by the customer to GPA without compensation to the customer." After one year, the customer loses the credits, and whatever power is generated goes to GPA.

The PUC is considering revising the tariff provision to provide that GPA will be required to pay customers for any excess credits accumulated at the end of each calendar year, or to allow customers to accumulate excess credits beyond a year. Solar power producers on Guam did a survey on this issue, indicating that a majority of 42 responding members recommended that they receive cash credit or cash back on their GPA accounts. GPA filed a response contending that net metering customers don't pay for their use of the grid, the transmission and distribution system, or for the power that net meters generate on their systems. Net metering customers don't pay for the transmission and distribution costs or other costs associated with the system. Non-net metering customers basically have to pay for usage by the net metering customers. If GPA will be required to pay net metering customers for the excess power, the disparity between non-net metering customers and net metering customers in paying system costs will be increased.

According to ALJ Alcantara, the Guam Legislature has already enacted a number of laws which seek to expand new generation technologies. In PL29-62, the Legislature required the development of renewable energy production to end the total reliance on oil. The law also requires that GPA implement an interim rate where net metering customers receive 100% of the cost of their power generation capacity. The ALJ examined a number of jurisdictions across the United States which provides some sort of compensation to customers for excess generation through net metering. Most jurisdictions pay the net metering customer for the excess generation. Existing Guam law appears to provide that net metering customer should be paid for the excess generation. The ALJ recommends that the PUC revise the net metering tariff so that the net energy generation credits carry forward indefinitely beyond the 12-month period

and to further allow customers to elect excess credits or to choose cash back for any excess generation at the current retail rate.

GPA's most recent count is that it has 127 customers with excess generation. The ALJ found that the solution he proposes would be most consistent with the statutes; The Guam Legislature has indicated its intent to encourage investments in renewable energy in order to stimulate economic growth and to enhance continued diversification of the renewable energy resources used on Guam. GM Benavente of GPA indicated that it was GPA's responsibility to provide information to the policy makers as to what the impacts are. At present GPA has over 700 net metering customers, with more than 150 additional applications. GPA is presently near 900 customers. GPA believes there are lost sales of roughly \$1.5M from the net metering customers. Mr. Benavente agrees that generation by net metering customers does avoid fuel cost. His concerns are the transmission grid and generating capacity. GPA wishes to address the tariff when it reaches 1,000 net metering customers. Hawaii has recently dropped the net metering cost from 27 cents to about 15 cents. There would be no burden on other ratepayers if the excess generation cost was just the avoided cost of fuel. However, if the customer gets the full retail sales amount, GPA will have to pay for this excess generation that it did not ask for and which other ratepayers may not need.

The Chairman asked GM Benavente whether the production of net metering customers was about 7 megawatts at this stage. GM Benavente concurred. With 1,000 net metering customers, generation would be close to 12MW. At present, with 896 net metering customers, production would be about 9.9MW. GM Benavente indicated there is a problem: solar generation can drop pretty quickly from cloud covers, such that generation would drop from 25MW to 11 or 10MW. Then the other generators in the system have to produce such generation, which is not healthy for the system because GPA's generators are not the type that can react quickly to this. Future renewables on Guam will have to have some form of battery storage system. GPA has a battery storage bid out. GPA will try to determine what combination of battery system will help it with the intermittency.

The intermittency is a bigger problem than the prior approved battery storage to make the quality of service better. GM Benavente hopes that these issues can be settled when the PUC addresses the 1,000 customers. The Chairman indicated that there was hope that the net metering industry would grow and it should not be curtailed. He potentially sees that with battery storage there could be 10,000 roof tops hooked to solar, to run battery systems. With battery storage it would work out well for the power system overall. The 10,000 roof tops would have their own solar and battery systems where their family members and friends could use their houses too, washing, getting ice and helping each other out. Solar can't do it all and there is still a need for big generators. The combination of solar and some of the generators works well in the system overall. Phase II of DSM could offer rebates on battery systems in the home to eliminate some of these intermittency concerns that the GM is expressing.

GM Benavente indicated that the balance must be found between cost and net metering. GM Benavente suggested that, instead of promoting individual batteries, there should be bigger batteries in different areas to take care of the issue.

Scott Hagen spoke as a representative of the solar industry. He indicated that the Dandan solar farm was different from distributed net metering. Mr. Hagen does not believe that the intermittency is great for distributed net metering. The solar industry and GPA have worked together to get residential and commercial net metering projects accomplished. Hagen indicated that he was also representing net metering customers. At present, kilowatt credits generated by the photovoltaic systems are forfeited from customers to GPA at the end of each calendar year without compensation. GPA receives the privately produced power and sales it at full retail without any compensation to the owner of that power. Hagen claimed that for every kilowatt that a solar power system produces and puts on the GPA lines, there are actually two kilowatts that GPA doesn't need to produce--the one the consumer didn't use and the one that the producer put in to the system. According to the survey, most system owners want cash-back.

GPA claims PV system owner can grossly oversize the system to gain extra compensation. However, GPA can reject applications if the proposed system appears to be oversized. GPA cannot blame net metering customers for rate increases. Customers who can't afford to go solar and have the proper site can be compensated with the appliance rebate programs. GPA should view private solar systems as an investment for which they did not need to write a check, not as revenue lost. Renewable energy benefits the environment so it reduces the internal cost for producing power.

In response to Counsel's questions, GM Benavente indicated that there were 127 customers that produced excess electricity, constituting the 18.2% of the solar producers. The total amount of payment for excess production would be approximately \$30,000. GM Benavente indicated that customers could size their PV as to handle their total load. The Chairman indicated to GM Benavente that GPA can control the size of customers systems. GM Benavente was not sure that GPA could limit the size of the system, it's up to the maximum limit provided in the law. The Chairman pointed out that for the average net metering customer, the production excess would be about 15 kilowatt hours per month per customer. GM Benavente agreed.

GM Benavente concurred that the amount was not "huge". Counsel asked Mr. Benavente if he believed that, if GPA claimed that net metering customers weren't paying for the distribution system, GPA should have to offset the value of the power that it is receiving for free from the net metering customers. GM Benavente indicated that, with paying for the excess "1-to-1", it is taking money from the other customers. It is not just an avoided cost as a customer. Commissioner Montinola understood that there is a distribution cost on net metering. Commissioner Niven indicated that he

supported the proposed Order, but wondered when GPA would have a proposal before the Commission concerning net metering. GM Benavente indicated that GPA would produce such a proposal if informed of the dates. Commissioner Niven indicated that GPA could start the collaborative process when it reached 1,000 net metering customers. Commissioner Niven stated that the PUC was waiting for GPA to make a proposal. Dr. William Weare, a solar producer, indicated that the amounts involved were "nickel and dime." However, the net metering producer has to spend \$15.00 on the customer charge per month, but is not allowed any credit for the hours produced by the net metering customer for GPA. It does not make for good relations.

The Chairman indicated that, under the proposed Order, the customer will be able to rollover the credit or get a cash rebate. Counsel indicated that Guam law seems to intend that customers receive a credit for excess generation. Mr. Montinola also stated that the credit ends at the end of the calendar year. Counsel indicated that it was the tariff that included that language, not the legislation. Counsel wondered whether the tariff is consistent with the law. In response to a public question, Counsel indicated that the tariff actually extends credit for a year after the month in which the power was generated. Commissioner Niven suggested that the revised language indicate that, at the end of the calendar year, the account would be trued-up and the customer would either elect to have GPA carry the credits forward or have GPA purchase from the customer all kilowatt credits remaining on their account at a 1-to-1 rate. The further revision was made that if the customer does not make an election at all, the customer may still carry over the excess credits. Commissioner Niven did not understand the portion of the Order that referred to the "methodology that adequately supports the rate scheme discussed in this order."

ALJ Alcantara suggested that the language referred to by Commissioner Niven, in provision number 2, be removed. GM Benavente suggested that there be a cap on the excess which could be recovered. The Chairman stated that it could be revisited once the 1,000 customers have been reached. For a \$400M company, \$30,000 did not appear to be much. Upon motion duly made, seconded and unanimously carried, the Commissioners approved a modification of Tariff "C", which would require GPA to either pay net metering customers for their excess power production during the calendar year, or allow net metering customers to carry over the excess power credits beyond the calendar year. The Commissioners adopted the Order made *Attachment "C"* hereto.

The Chairman stated that the next matter of business before the Commission was GPA Docket 15-23, the Approval of the Procurement of Bucket Trucks, PUC Counsel Report, and Proposed Order. The Commissioners did not feel that the report from Counsel was necessary. Upon motion duly made, seconded and unanimously carried, the Commissioners authorized GPA to procure 6 bucket trucks, 3 65- foot Bucket Trucks and 3-55foot Bucket Trucks and adopted the Order made *Attachment "D"* hereto.



The Chairman announced that the next item on the agenda was GPA Docket 15-22, Application of GPA to approve the Procurement of a Performance Management Contractor for the Combustion Turbine Power Plants, PUC Counsel Report, and Proposed Order. Counsel indicated that the main point in his report was that there were still a lot of questions about how to pay for the PMC and where the money would come from. Although GPA suggested that the US Military might pay a portion of the cost, there is no firm commitment. The procurement here was already issued by GPA in October. The estimated cost for the rehabilitation of the Dededo CTs is \$10M. It is not clear yet whether the Dededo CTs would primarily benefit the military or Guam ratepayers. It is recommended that this matter be continued and not addressed by the Commission this evening. Counsel suggested that a workshop by GPA might be appropriate on this matter. GPA desires to obtain more generation from the Dededo, Macheche and Yigo CTs because of the capacity shortage related to the Cabras explosion.

The other issue would be whether there should be two PMCs here, one for the Dededo Plants, and one for the Yigo and Macheche Plants. The additional question is whether GPA should proceed with the PMC for these plants or an independent power producer. GPA believes IPPs are expensive, and used figures comparing the TEMES plant to the Yigo and Macheche CTs. The Order prepared would defer action for the time being on this matter, as there has not been an adequate explanation as to the cost of the PMC. GPA GM Benavente first wished to touch on the basis for the PMC at the Dededo CTs. After explaining existing generation capacity, GM Benavente indicated that reserve capacity deficiencies could be covered if both the Dededo CTs and the Aggreko leased generation are functioning. Having the Dededo CTs would bring GPA back to where it needs to be to handle any type of generation loss. The Dededo CTs are needed to meet GPA's reserve requirement.

Some time ago the Department of Defense was interested in investing in the Dededo CTs. GPA was going to have the Dededo CTs rehabilitated in time for the military buildup. GPA is in the process of providing the military with a letter of intent to get this plan back and probably rehabilitate the Dededo CTs--this is where the \$10M is coming from. If the military dedicates the \$10M, GPA would dedicate Dededo CTs to serve them when typhoons or other matters come up. Instead of the military building its own plant on base, this option will allow GPA to use an existing asset. Dededo CT 1 is almost ready to run but there was a fire on the switch gears. GPA fixed the switch gears, so GPA should be able to run No.1. There is also a new stack on the CTs. No. 2 needs work on the generator. It will cost between \$3M to \$5M to get both plants up and operating. Procuring a PMC will allow GPA to be able to get the expertise to determine what needs to be done, what repairs are necessary.

The Yigo and Macheche CTs also needs some work because they were never really maintained that well. The investment of \$3M into Dededo CT will help GPA get rid of Aggreko. Mr. Benavente indicated that there was approximately \$500,000 to use to pay

for these CT improvements. There is also \$2.5M in bond money that can be used for the Dededo CTs.

Counsel indicated that all the information he had before him indicated that the cost for repair of the CTs would be \$10M. Before it can make a decision the Commission needs this information and an indication that there is a firm commitment from the military to pay for the Dededo CTs. The Chairman confirmed with Mr. Benavente that the Dededo CTs 1&2 are only authorized for 1500 hours in each calendar year. The Chairman asked how GPA would use these CTs specifically. GM Benavente indicated it would be for emergency, peaking. GM Benavente stated that if GPA runs the CTs 1500 hours a year, that brings us back to where we are today.

Commissioner Niven was concerned about the time frame and how Counsel's questions could be answered. He proposed a workshop before the end of January. GPA Counsel Botha indicated that a bid would enable GPA to obtain an idea of the cost for a PMC. GPA would not make a decision without the PUC's approval. GM Benavente indicated that if GPA can proceed with opening the bids and prepare all the documents, it could be ready by the January meeting. Commissioner Niven clarified that if the PUC merely tabled the matter, GPA then could proceed with its procurement. Discussion ensued between the Commissioners whether to defer the Order or to approve it, as it did not prevent GPA from proceeding ahead. Commissioner Niven withdrew his motion to table. Upon motion duly made, seconded and unanimously carried, the Commissioners deferred action on GPA's request for a PMC for the Dededo, Yigo, and Macheche CTs, and adopted the Order made *Attachment "E"* hereto.

The Chairman announced that the next item for consideration was GPA Docket 13-14 (Demand Side Management), GPA-Lummus Plan, PUC Consideration of Proposed GPA Plan, PUC Counsel Report and Proposed Order. Counsel indicated that the DSM program was now actually in effect. It was implemented effective December 1. The Chairman had requested that Counsel look at some of the elements of the program. This program now involves air-conditioners, washers and dryers. However, before a person can obtain the rebate, they must have a receipt from either the Guam Solid Waste Authority or someone else that the equipment has been physically removed from the house and has been disposed of. A main concern with the program is that people utilize the rebate program and make it worthwhile. If there are too many requirements, people may not wish to bother with the time required to use the program. GPA's main purpose should be to encourage as many customers as possible to take advantage of the rebate. Counsel recommends to the Commission that the disposal receipt requirement be removed. Disposal receipt requirement would be a negative in terms of customer usage.

There was a good point made by Commissioner Simon Sanchez at the CCU meeting. Some customers want to purchase a different kind of air-conditioner or equipment which meets the SEER requirements, but which is not on the approved list of equipment

or the approved vendor list of GPA. Counsel recommends that, on a case by case basis, GPA evaluate whether a particular customer's equipment that is not on the lists for approved vendors or equipment, was acceptable and met the basic requirements.

GM Benavente agreed that GPA could adjust the requirement in terms of equipment and vendors not listed as long as the energy efficiency specifications were met. GPA has to take care of this environmentally as some equipment could potentially be thrown on the wayside. With refrigerators, for example people could buy a new efficient one, put in the rebate, and then put the old refrigerator in the outside kitchen. Then GPA would not reduce energy, but add more energy. There is a disposal requirement in the industry. The Chairman asked Mr. John Cruz of SPORD if GPA would provide quarterly reports on DSM. Mr. Cruz indicated that it would give such reports to PUC.

The Chairman indicated that, rather than making a policy call this evening, perhaps PUC could go with the program for a while and see what happens. If it looks as if people are being limited because of the disposal requirement, then the PUC can intervene at a later date. The concern is that the people might not be using the program as often as we want them to. But, the PUC can hold back for a while until reports are received from GPA. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the tabling of this matter.

The Chairman announced that the next matter on the Agenda was GPA Docket 15-24, application of the Guam Power Authority requesting Approval of the Performance Management Contract for the Management Operation and Maintenance of the GPA Cabras 1&2 Power Plants, PUC Counsel Report, and Proposed Order. Counsel indicated that GPA was now seeking to extend TEMES, the Performance Management Contractor for the Cabras 1&2 Plants, for an additional year (from January 1, 2016 through December 31, 2016). The Counsel indicated that TEMES can assist GPA in the operations and maintenance of the Cabras Plants. It is reasonable for the PUC to approve the 1-year extension. The fixed management fee cost for the 1-year extension is \$1,606,311.68. When routine operations and maintenance expense is also included, the total cost projected for the year would be \$2,754,374. That amount is slightly less than the last year of the prior 5-year contract. The cost appears to be reasonable. Upon motion duly made, seconded and unanimously carried, the Commissioners approved GPA's Petition to extend the PMC contract with TEMES for 1-year, at a cost of \$2,754,374. The Commission adopted the Order made *Attachment "F"* hereto.

The Chairman announced the next item of business before the Commissioners was GPA Docket 15-25, Application of the Guam Power Authority requesting Approval of the Performance Management Contract for the Management, Operations and Maintenance of the GPA Cabras 3&4 Power Plants, PUC Counsel Report, and Proposed Order. Counsel stated that this request for Cabras 3&4 for the extension of the PMC was similar to the prior request for Cabras 1&2. Here GPA seeks to continue its PMC Korea, East West Power. Of course, Cabras 3, which had an explosion, is being addressed.

There is now an ongoing investigation of the explosion, and the unanswered question is what or who caused the explosion. KEWP has been the PMC for Cabras 3 & 4 for many years. Although there are no present facts to suspect that KEWP is in any manner responsible for the explosion, at present it is unknown who is responsible as there has been no investigation. Theoretically, KEWP could have involvement. The concern is whether GPA would want KEWP to continue as PMC if there were a finding of its involvement. The second concern is that KEWP could be assisting in the coordination of the various investigations of the explosion, the root cause analysis. There is a potential conflict with KEWP being involved in the investigations. KEWP really shouldn't be involved in the investigation. If KEWP is just coordinating things within the plant, that may be acceptable. But GPA should draw the line and say that KEWP should not be involved in the actual investigation. GPA has negotiated a lower cost. It is proposing a 15 month extension for KEWP from October 1, 2015 through December 31, 2016. The fixed management fee for the entire period would be \$1,316,535 so Cabras 3 can be repaired; it may be a good idea to have a PMC there to do the procurement so that GPA doesn't get involved. At this point however, it is not clear as to what KEWP is going to be doing with the plants, as neither is operational at present.

Commissioner Niven agreed with the restriction on KEWP to avoid even the appearance of a potential conflict of interest. He also agrees with the question as to precisely what services GPA is paying KEWP for, i.e. O&M for a plant that's not operating. There is reassurance in the contract provision that allows GPA to terminate the PMC upon 30 days' notice, and a provision that O&M expenses will only be reimbursed to the PMC as required.

The Chairman asked GM Benavente with GPA whether the contract was both for Cabras 3&4 or if it was just for Cabras 3. GM Benavente indicated that the contract was for both Cabras 3&4. GM Benavente indicated that the investigation has been going on since day 1. If anything is done, the PMC must be with GPA personnel. He is aware that conceivably KEWP could be responsible. GPA personnel and KEWP are gathering information. There are also five independent investigations that are going on. Although there are suspicions, GPA cannot confirm what occurred until the engine itself is examined and a determination made as to whether the mechanisms were the ones that failed. GPA has hired BWSC as an independent investigator. GPA has its own internal investigation. The engine manufacturer is also conducting an investigation, and the concern as to what happened to the engine. In addition the designer of the engine is also investigating. BWSC is the designer and licensor for slow speed engines.

When the roof is removed, the investigations will be ongoing. KEWP has been getting cost estimates on different pieces of equipment, and running timelines that are critical paths for repairs. GPA is hoping that it may be able to get Cabras 3 back online. There is O&M cost to protect the existing equipment that did not get damaged to make sure that it does not become corroded or otherwise damaged. The insurance adjusters are

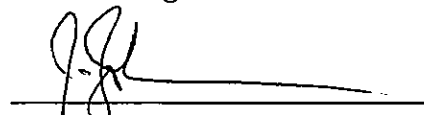
pleased that there will be program management at the plants. GPA did negotiate a reduced fee with KEWP. GPA does have the option to "cut its losses" and eliminate the PMC upon 30 days' notice. GM Benavente indicated that the earliest time at which GPA could get this unit online was around August 2016. By then GPA will already almost be at the end of the contract. Based upon GM Benavente's presentation, Counsel agreed that the Commissioners could approve the Order revised by Commissioner Niven. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the extension of the PMC Contract with KEWP with an additional 15 months with a cost of \$1,316,535.

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

Counsel explained that, as instructed by the Commissioners, he had further discussions with Kathy Kelly and Lummus concerning the PUC Consultant Agreement Assignment. He was now comfortable with the form of the assignment for the PUC consulting agreement from Lummus to Kelly Energy Associates. Ms. Kelly has provided Counsel with appropriate corporate documentation concerning the filing of her company in New Hampshire. Other consultants that PUC has used, Bob Greneman and Dave Russell, have worked with Ms. Kelly for the PUC previously. They have both agreed to participate in the consulting work. Counsel indicated that Ms. Kelly had requested the amount of \$195 per hour for services. Counsel recommends that the Commission approve the assignment of the Lummus PUC consulting agreement to Kelly Energy Associates.

Chairman Johnson felt that the hourly rate was acceptable. His experience is that hourly rates have no factor at all in what consultants will ultimately bill the PUC. After discussion of various questions from the Commissioners regarding the Assignment, a motion was made. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Assignment from Lummus to Kelly Energy Enterprises of the PUC Consulting Agreement. Upon subsequent motion duly made, seconded and unanimously carried, the Commission approved the hourly rate for Kelly Energy Enterprises at \$195 per hour.

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

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Jeffrey C. Johnson  
Chairman

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION  
SPECIAL MEETING  
SUITE 202, GCIC BUILDING  
414 W. SOLEDAD AVE., HAGATNA, GUAM  
6:30 p.m., December 10, 2015**

**Agenda**

- 1. Approval of Minutes of October 29, 2015**
- 2. Guam Waterworks Authority**
  - **GWA Docket 15-10, Request by the Guam Waterworks Authority for Approval of the Issuance and Sale of Guam Waterworks Authority Water & Wastewater Revenue Bonds, ALJ Report, and Proposed Order**
- 3. Guam Power Authority**
  - **GPA Docket 15-22, Application of the Guam Power Authority to Approve the Procurement of a Performance Management Contract (PMC) for Combustion Turbine Power Plants, PUC Counsel Report, and Proposed Order**
  - **GPA Docket 15-23, Application of the Guam Power Authority to Approve the Procurement of Bucket Trucks, PUC Counsel Report, and Proposed Order**
  - **GPA Docket 13-14 (Demand Side Management), GPA-Lummus Plan, PUC Consideration of Proposed GPA Plan, Counsel Report, and Proposed Order**
  - **GPA Docket 08-10 (Net Metering Tariff), ALJ Letter re: Proposed Payment by GPA of Excess Customer Credits for Net Metering Power Production, GPA Response, ALJ Report, and Proposed Order**
  - **GPA Docket 15-24, Application of the Guam Power Authority Requesting Approval of the Performance Management Contract for the Management, Operation and Maintenance of the GPA Cabras 1 & 2 Power Plants, PUC Counsel Report, and Proposed Order**
  - **GPA Docket 15-25, Application of the Guam Power Authority Requesting Approval of the Performance Management Contract for the Management, Operation and Maintenance of the GPA Cabras 3 & 4 Power Plants, PUC Counsel Report, and Proposed Order**
- 4. Administrative Matters**
  - **Assignment of PUC-Lummus Consulting Agreement to Kelly Energy Associates, LLC**
- 5. Other Business**

**ATTACHMENT A**

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF GUAM**



REQUEST BY THE GUAM )  
WATERWORKS AUTHORITY FOR )  
APPROVAL OF THE ISSUANCE OF )  
WATER AND WASTEWATER SYSTEM )  
REVENUE BONDS AND TO APPROVE )  
THE ASSOCIATED DOCUMENTS )  
\_\_\_\_\_ )

DOCKET 15-10

**ORDER**

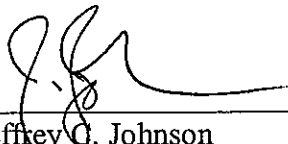
On November 25, 2015, Guam Waterworks Authority ("GWA") petitioned the Commission for authority to issue up to \$160,000,000 in bonds for the purpose of financing new capital projects (the "Bonds").

The Commission has examined the petition and the findings and recommendations of its Administrative Law Judge. After discussion at a duly convened Commission meeting on December 10, 2015 and upon specific findings and on motion duly seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission, hereby **ORDERS** that:

1. The order approving long term debt, in form attached ("Debt Order"), shall be and is hereby adopted by the Commission.
2. GWA is reminded that it must obtain prior approval of the Projects, as scheduled on Exhibit A to the Debt Order, before either procurement can begin on the projects or before proceeds of the Bonds can be expended or committed on them. Any reprogramming of projects and the associated Bond funds shall be subject to prior Commission approval.
3. GWA must obtain prior approval to use any excess Bond proceeds or contingency funds not previously committed to an approved new project before such excess proceeds of the Bonds or contingency funds can be expended or committed.
4. No implied approval is provided by the Commission regarding revenue and expense pro-forma statements utilized in the financing if such statements have not been previously approved by the Commission.
5. The Commission authorizes its Chairman to approve any changes to the maximum principal amount of the Bonds to be issued and other matters not inconsistent with the terms of this Order.

6. GWA shall provide quarterly reports in a manner approved by the Commission 45 days after the close of each quarter on the actual uses of the Bonds.
7. GWA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses associated with the instant proceeding. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§12002(b), 12024(b) (renumbered as 12 G.C.A. §§ 12103(b) and 12125(b)), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 10<sup>th</sup> day of December 2015.

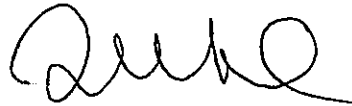


Jeffrey C. Johnson  
Chairman

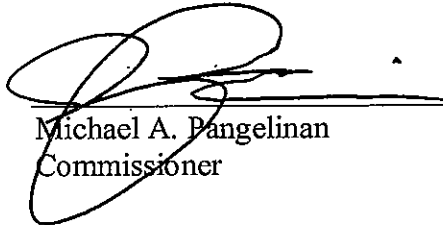
Filomena M. Cantoria  
Commissioner



Joseph M. McDonald  
Commissioner

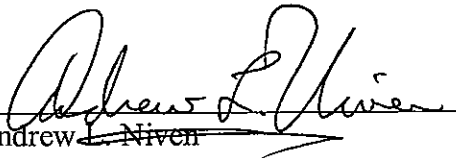


Peter Montinola  
Commissioner



Michael A. Pangelinan  
Commissioner

Rowena E. Perez  
Commissioner



Andrew L. Niven  
Commissioner



BEFORE THE PUBLIC UTILITIES COMMISSION  
OF GUAM



DOCKET 15-10

REQUEST BY THE GUAM )  
WATERWORKS AUTHORITY FOR )  
APPROVAL OF THE ISSUANCE OF )  
WATER AND WASTEWATER SYSTEM )  
REVENUE BONDS AND TO APPROVE )  
THE ASSOCIATED DOCUMENTS )  
\_\_\_\_\_ )

**ORDER APPROVING LONG-TERM DEBT**

On October 27, 2005, this Commission adopted an Order in Docket No. 05-10 (the "2005 Order") approving certain aspects of the proposal of the Guam Waterworks Authority ("GWA") to issue and sell long-term debt in the form of revenue bonds (the "Bonds") pursuant to Article 2 of Chapter 14 of Title 12 of the Guam Code Annotated (the "Act") for the purposes of financing certain additions and improvements to the water and wastewater systems of GWA (the "System").

The proposed form of an indenture pursuant to which the Bonds were proposed to be issued in one or more series (the "General Indenture") was presented to the Commission at that time. In accordance with the Act, the terms and conditions pursuant to which the Bonds were to be issued, and included in the General Indenture, were approved by the Commission pursuant to the 2005 Order.

GWA executed and delivered the General Indenture, dated as of December 1, 2005, and issued one series of Bonds on December 7, 2005, having the terms and issued for the purposes authorized and approved by Orders of the Commission heretofore adopted (the "2005 Bonds").

On October 29, 2010, this Commission approved an Order in Docket No. 10-03 approving the issuance and sale by GWA of long-term debt in the form of Bonds pursuant to the Act for the purposes of financing certain additions and improvements to the System.

GWA issued one series of Bonds on November 23, 2010, having the terms and issued for the purposes authorized and approved by Orders of the Commission heretofore adopted (the "2010 Bonds").

On November 18, 2013, the Commission approved an Order in Docket No. 14-01 approving the issuance and sale by GWA of long-term debt in the form of Bonds pursuant to the Act for the purposes of financing certain additions and improvements to the System.

GWA issued one series of Bonds on December 12, 2013, having the terms and issued for the purposes authorized and approved by Orders of the Commission theretofore adopted.

On June 26, 2014, the Commission approved an Order in Docket No. 14-05 approving the issuance and sale by GWA of long-term debt in the form of Bonds pursuant to the Act for the

purposes of redeeming or retiring all or a portion of the outstanding 2005 Bonds and 2010 Bonds.

GWA issued two series of Bonds on August 7, 2014, having the terms and issued for the purposes authorized and approved by Orders of the Commission theretofore adopted.

GWA has now applied to the Commission for approval of the issuance of one or more additional series of Bonds in an aggregate principal amount not to exceed \$160,000,000 (the “Additional Bonds”) for the purposes of financing certain additions and improvements described in Exhibit A to this Order (the “Projects”), subject to the limitations provided in Section 4 of Public Law 28-71, as amended by Public Law 30-145, and by Public Law 32-069 (as amended, the “GWA Bonds Law”), and of the terms and conditions pursuant to which such Additional Bonds are to be issued.

The proposed form of supplemental indenture pursuant to which the Additional Bonds are proposed to be issued (the “Supplemental Indenture”) has been presented to the Commission (together with certain financial and other relevant information) and is attached hereto, together with the General Indenture, as Exhibit B.

By the Commission, having duly considered the application of GWA and the information presented on GWA’s behalf, and having determined that the issuance of the Additional Bonds for such purposes is just and reasonable, it is ordered as follows:

1. The issuance of the Additional Bonds and the terms and conditions pursuant to which the Additional Bonds are to be issued and included in Exhibit B are hereby approved; provided, however, that any material modification or amendment of the Supplemental Indenture shall be subject to the Commission’s prior review and approval. GWA shall have the responsibility of bringing any such material modification or amendment to the Commission’s attention.
2. For the purpose of financing the Projects, GWA is authorized to borrow funds under the terms and conditions described in Exhibit B. The principal amount of Additional Bonds that may be issued may not exceed \$160,000,000, and shall be the amount projected to be necessary to implement the Projects, and provide for original issue discount (if any), a credit enhancement fee (if applicable), underwriters’ discount, other costs of issuance, a debt service reserve fund deposit and capitalized interest. As provided in the GWA Bonds Law, the Additional Bonds shall bear interest at such rate or rates and shall be sold for such price or prices as shall result in a net yield to the bondholders not exceeding seven and one-half percent (7.5%) per annum. Original issue discount and credit enhancement each shall not be used unless it results in a lower yield on such Bonds, as evidenced by a certificate of GWA. Capitalized interest shall not exceed an amount sufficient to pay interest on the Additional Bonds for the period to and including September 30, 2017. Underwriters’ discount (not including

original issue discount) shall not exceed one percent (1.0%) of the original principal amount of such Bonds. Other costs of issuance (including, but not limited to, fees and disbursements of bond counsel, printing fees, rating agency fees, initial trustee's fees, consulting engineer fees and the fee of the Guam Economic Development Authority) shall not exceed two percent (2.0%) of the original principal amount of such Bonds. The Additional Bonds shall have a final maturity not later than 30 years from their date of issuance.

Dated this 10<sup>th</sup> day of December 2015.



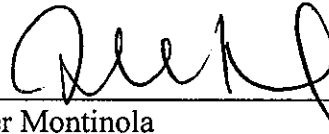
Jeffrey C. Johnson  
Chairman



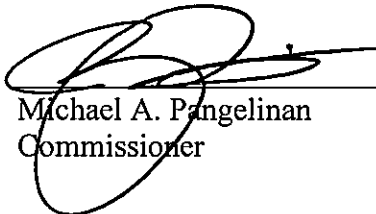
Filomena M. Cantoria  
Commissioner



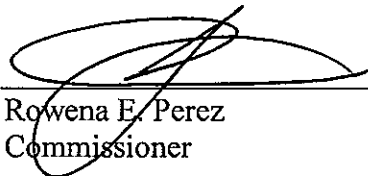
Joseph M. McDonald  
Commissioner



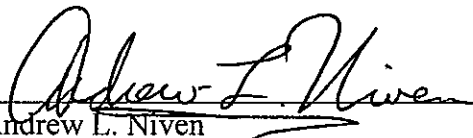
Peter Montinola  
Commissioner



Michael A. Pangelinan  
Commissioner



Rowena E. Perez  
Commissioner



Andrew L. Niven  
Commissioner



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

NET METERING TARIFF

) GPA DOCKET 08-10

) ORDER  
)  
)  
)

**INTRODUCTION**

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the request by the PUC on November 12, 2015 regarding its intent to revise Guam Power Authority’s (“GPA”) Interim Net Metering Rider (the “Interim Rider”).

**DETERMINATIONS**

**A. Net Metering Rider**

On December 29, 2008, the PUC approved and adopted the current Interim Rider for Customer-Generator Energy Facilities, developed by both GPA and the Georgetown Consulting Group, Inc. (“Georgetown”).<sup>1</sup> On February 27, 2009, the PUC approved and adopted GPA’s Standard Interconnection Agreement for Net Metering Facilities, as well as GPA’s Net Metering Program Interconnection Policy.<sup>2</sup>

**B. Request by the PUC for GPA’s Opinion on Expiration of Customer Credits**

On November 12, 2015, the Administrative Law Judge of the PUC (the “ALJ”) issued a letter to GPA requesting its opinion on deleting the provision in the Net Metering Rider that provides the following:

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<sup>1</sup> PUC Decision and Order, GPA Docket 08-08, p. 2 (Dec. 29, 2008).

<sup>2</sup> PUC Order, GPA Docket 08-10, p. 1 (Feb. 27, 2009).

**ATTACHMENT C**

In no event shall the excess credit from a single month be carried forward beyond twelve (12) months as a credit against the current monthly billing. At the end of each calendar year, or in the event of termination of service under this Rider, any excess kWh credits; if any will be granted by the customer to GPA without compensation to the customer.

The ALJ indicated in the letter that the PUC is considering deleting this provision and revising it so as to require GPA to pay customers for any net excess generation credits (“NEGs”) accumulated at the end of each calendar year or have such credits carry over indefinitely.

**C. Net Metering Survey**

On October 7, 2015, Pacific Solar & Photovoltaics submitted to the PUC the results of a survey issued to one hundred (100) net metering customers. Forty two (42) customers replied; and a majority of them recommended cash credit or cash back on their GPA account.

Some comments included that families invest in solar energy so they can minimize the cost of power. One ratepayer wondered why GPA does not try to purchase power from its ratepayers who over produce energy.

**D. GPA’s November 30, 2015 Response**

In its November 30, 2015 response, GPA maintained that it will suffer revenue loss “when [Net Energy Metering “NEM”] customers are allowed to offset full retail cost” and that compensating NEM customers for any excess credits at the end of the year would add to such loss.<sup>3</sup> GPA submitted that about eighteen percent (18%) of all NEM customers pay only the monthly charge of \$15, and that they consequently do not

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<sup>3</sup> General Manager’s Report to CCU from John Benavente (“GPA’s Response”), p. 19 (Nov. 30, 2015).

pay “for the use of the Grid or for ancillary services provided for the Grid.”<sup>4</sup> The impact, GPA maintained, should it credit its customers beyond twelve (12) months is about \$30,000 and this amount will increase with more net metering customers.<sup>5</sup>

Accordingly, GPA believes that NEM customers do not pay “their full share of the system’s cost to serve” and that cost recovery for demand is based in “the energy component of residential rates.”<sup>6</sup>

GPA further contended that extending NEM credits beyond twelve (12) months would result in GPA paying for energy at full retail rates and would, again, result in revenue loss. GPA believes that extending the credit life beyond the current twelve-month period may result in NEM customers achieving “revenue gains,” as well as likely increase payments to NEM customers above the tariff at the times the credits were generated.<sup>7</sup>

GPA ultimately recommended that the PUC revisit this issue once the net metering program reaches one thousand (1,000) customers.

**E. Public Laws on Net Metering**

When the Guam Legislature enacted GPA’s net metering statutory scheme, the Legislature clearly expressed its intent “to combine new power-generation technologies with traditional power-generation systems in order to expand and safeguard the island’s electric supply, without the need for additional capital investment by the utility company.” P.L. 27-132, p. 2 (Dec. 30, 2004). The Legislature also unequivocally expressed its intent

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<sup>4</sup> GPA’s Response, p. 21 (Nov. 30, 2015).

<sup>5</sup> GPA’s Response, p. 20 (Nov. 30, 2015).

<sup>6</sup> GPA’s Response, p. 21 (Nov. 30, 2015).

<sup>7</sup> GPA’s Response, p. 22 (Nov. 30, 2015).

to “(a) encourage private investment in renewable energy resources; (b) stimulate economic growth; and (c) enhance the continued diversification of the renewable energy resources used on Guam.” *Id.*

Pursuant to the net metering statutes, the Legislature also entrusted the PUC with the authority to determine the rate for NEGAs. In particular, Section 8505(b)(3) of Title 12 provides that where “the electricity generated by the customer-generator which is fed back to the utility exceeds the electricity supplied by the utility during the billing period, the customer-generator is entitled to compensation for electricity provided to the utility during the billing period at a rate to be determined by the Public Utility Commission.” P.L. 27-132, p. 5 (codified at 12 G.C.A. § 8505(b)(3)).

Pursuant to Public Law 29-62, the Legislature stated that it requires “the development of renewable energy production and decrease [ ] total reliance on oil for electricity production.” P.L. 29-62, p. 2 (Apr. 4, 2008). Accordingly, the Legislature amended GPA’s net metering statute to require GPA to “immediately implement an interim, emergency net metering rate structure wherein Customer generators *shall* be entitled to receive immediate credit for one hundred percent (100%) of the power generation capacity based on the specifications of the generation equipment installed times the rate of the Guam Power Authority currently charges the customer until such time that GPA submits a rate structure to the PUC for the net metering program and it is approved by the PUC. The interim rate *shall* be subject to PUC revocation at any time.” *Id.* at 4 (codified at 12 G.C.A. §8506) (emphases in original).

**F. Georgetown's August 27, 2013 Report**

In a report issued two years ago, Georgetown maintained that “[t]he interim net metering rider currently in effect and approved by the GPUC is based on an industry accepted approach to the balancing of interest necessary to maximize the renewable capacity from customer-generators availing themselves to ‘net-metering’ and the impact to other customers subsidizing the distribution and other related costs avoided by net metered customers who qualify for the interim net meter rider.”<sup>8</sup> Georgetown further expressed that “[w]hile there is unarguably a potential subsidization of ‘net metering’ customers by other customers, the PUC found that the potential benefits in the near-term as the renewable industry grows in Guam outweighed these concerns.”<sup>9</sup>

Georgetown further submitted that presently, “most mainland regulatory jurisdictions continue to credit NEG to the grid at the full retail energy rate (either through billing credits of kWh offsets) on the customer bill with any excess kWhs credited to the customer’s next bill and any NEG credits remaining at the end of the calendar year either being granted to the utility at no cost or . . . an increasing number of jurisdictions require some form of payment (28).”<sup>10</sup>

**G. ALJ's December 8, 2015 Report**

On December 8, 2015, the Administrative Law Judge of the PUC (the “ALJ”) issued an ALJ Report detailing his review of the instant matter.

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<sup>8</sup> Report of Georgetown Consultants Group, Inc. (“Georgetown Report”), p. 45 (Aug. 27, 2013).

<sup>9</sup> Georgetown Report, p. 46 (Aug. 27, 2013).

<sup>10</sup> Georgetown Report, p. 47 (Aug. 27, 2013).



The ALJ found that the PUC is authorized to determine the rate for energy “generated by the customer-generator which is fed back to the utility [that] exceeds the electricity supplied by the utility during the billing period . . . .” 12 G.C.A. § 8505(b)(3).

The ALJ further found that public utilities have provided customers whose usage results in a net credit to their accounts may be compensated financially or through a rolling credit. Financial compensation can either be credit at the retail rate, or even less than the full retail rate. It appeared that a popular method for compensating customers for utilities that do not credit at the retail rate is at the utility’s avoided cost or some other rate developed by the utility based on a number of considerations.

Accordingly, based on the record before the Commission, and the authorities reviewed above, the ALJ recommended that the PUC revise the Interim Net Metering Tariff so that NEG credits carry forward indefinitely, beyond the twelve-month period presently required and further allow customers the election to choose cash back for any NEGs at the current retail rate. That ALJ further recommended that this docket remain open so that GPA may propose a rate structure and methodology that adequately supports this rate scheme and that this scheme corresponds with the intent of the Legislature when it enacted GPA’s net metering statutes, which is to “(a) encourage private investment in renewable energy resources; (b) stimulate economic growth; and (c) enhance the continued diversification of the renewable energy resources used on Guam.” P.L. 27-132, p. 2 (Dec. 30, 2004). The ALJ stated that the PUC is willing to work with GPA to establish an appropriate rate structure and therefore would welcome any requests for rate relief or any regulatory support regarding the implementation of any new NEM policy.

The Commission hereby adopts the findings made in the December 8, 2015 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 following language, contained in the current Net Metering Rider, under "MONTHLY BILLING," which states:

In no event shall the excess credit from a single month be carried forward beyond twelve (12) months as a credit against the current monthly billing. At the end of each calendar year, or in the event of termination of service under this Rider, any excess kWh credits; if any will be granted by the customer to the GPA without compensation to the customer.

Shall be amended and revised to provide as follows:


Any unused kWh credits will be carried forward from month to month. At the end of twelve (12) months, the account will be "trued-up" and the customer may either elect to have GPA carry the credits forward, or have GPA purchase from the customer all kWh credits remaining on their account at a one-to-one retail rate.

If the customer does not provide GPA with an election form selecting a compensation option, GPA shall credit the customer's account with any and all unused kWh credits.

2. GPA is ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated

with this docket. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b) and 12024(b) (renumbered as 12 G.C.A. §§ 12103(b) and 12125(b)), and Rule 40 of the Rules of Practice and Procedure before the PUC.

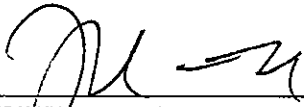
**SO ORDERED** this 10<sup>th</sup> day of December, 2015.



**JEFFREY C. JOHNSON**  
Chairman



**ROWENA E. PEREZ**  
Commissioner



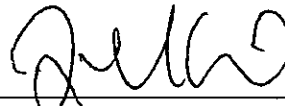
**JOSEPH M. MCDONALD**  
Commissioner



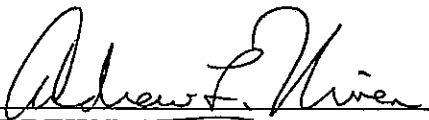
**FILOMENA M. CANTORIA**  
Commissioner



**MICHAEL A. PANGELINAN**  
Commissioner



**PETER MONTINOLA**  
Commissioner



**ANDREW L. NIVEN**  
Commissioner

P153070.JRA



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF: ) GPA Docket 15-23  
)  
The Application of the Guam Power )  
Authority to Approve the Procurement of ) **ORDER**  
Bucket Trucks. )  
)  
\_\_\_\_\_ )

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of Guam Power Authority ["GPA"] for PUC Review and Approval of GPA's Procurement of Bucket Trucks.<sup>1</sup>

BACKGROUND

2. In GPA Docket 15-19, GPA sought approval of its FY2016 Capital Improvement Project Cap in the amount of \$12,067,780. Included by GPA as items in the CIP Budget Request were 3 65-ft. and 3 55-ft. Bucket Trucks at a cost of \$1.7M.<sup>2</sup>
3. The PUC approved the ceiling cap in the amount of \$12,067,780, but required GPA to seek approval from the PUC for procurement authority through the Contract Review Protocol before it expended the amounts for the bucket trucks of \$1.7M<sup>3</sup>
4. In accord with the prior PUC Order, GPA now seeks to procure 6 bucket trucks to replace 6 existing Bucket Trucks which range in age from 17 to 25 years.<sup>4</sup>
5. GPA submits that the replacement of the bucket trucks is necessary to ensure that GPA has adequate bucket trucks for T&D Operations.<sup>5</sup>
6. The Consolidated Commission on Utilities (CCU). in Resolution No. 2015-42, approved the CIP budget including the request for 6 bucket trucks.<sup>6</sup>

<sup>1</sup> GPA Petition Approval of the Procurement of Bucket Trucks, GPA Docket 15-23, November 19, 2015.

<sup>2</sup> PUC Order, Request of GPA to Approve FY2016 CIP Ceiling Cap, GPA Docket 15-19, dated September 24, 2015, at p. 3.

<sup>3</sup> Id.

<sup>4</sup> GPA Petition for Approval for the Procurement of Bucket Trucks, GPA Docket 15-23, filed December 19, 2015, at p.1.

<sup>5</sup> Id.

<sup>6</sup> GPA Petition for Approval for the Procurement of Bucket Trucks, GPA Docket 15-23, filed December 19, 2015, at pgs.1-2.

**ATTACHMENT D**

7. GPA submits that the PUC should approve its request to proceed with their procurement of replacement bucket trucks, as "the replacement of the bucket trucks is necessary to ensure GPA has adequate bucket trucks for T&D Operations, and is reasonable, prudent and necessary".<sup>7</sup>
8. PUC Counsel filed his Report herein on December 6, 2015.

### DETERMINATIONS

9. GPA indicates that capital investments in transportation are necessary to meet its mission requirements for power generation and delivery. The 55-ft. and 65-ft. Bucket Trucks will give the Authority's Transmission & Distribution personnel the capability and capacity to perform new installations to support customer growth and to maintain the overhead power system.<sup>8</sup>
10. Based upon GPA's analysis, it will not be economical to repair the existing bucket trucks, as they are for the most part beyond their useful lives.<sup>9</sup>
11. Given the age of the existing trucks, they would require substantial repairs to be operational on an ongoing basis; although 3 of the trucks are presently "operational", they would also require substantial repairs.<sup>10</sup>
12. GPA has established that replacement of the bucket trucks is critical in sustaining operations to meet power generation and delivery requirements.<sup>11</sup>
13. GPA's Cost-Benefit analysis indicates that there would be a beneficial cost-benefit ratio with the purchase of the new bucket trucks and replacement of the old trucks: a present value of future benefits in excess of \$2M over the assumed useful life of 15 years.<sup>12</sup>

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<sup>7</sup> Id. at p. 2.

<sup>8</sup> Id.

<sup>9</sup> Id.

<sup>10</sup> Id at p. 4.

<sup>11</sup> Id.

<sup>12</sup> Id at p. 2.

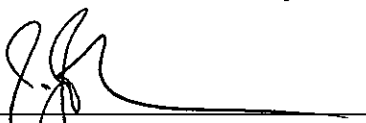
14. GPA should ascertain and determine whether it may be able to garner some additional useful life for certain of the bucket trucks, official vehicles #1575 and #3957.<sup>13</sup>


### **ORDERING PROVISIONS**

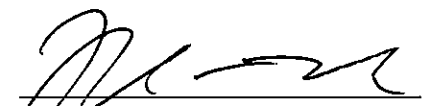
After review of the record herein, including GPA's Petition for Approval of the Procurement of Bucket Trucks, and the PUC Counsel Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

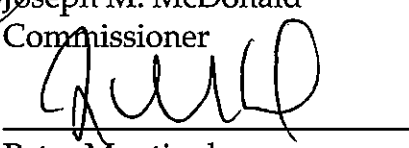
1. GPA's Petition to procure Bucket Trucks is approved.
2. GPA is authorized to expend the amount of \$1.7M for the bucket trucks.
3. GPA should ascertain and determine whether it may be able to garner some additional useful life for certain of the bucket trucks, official vehicles #1575 and #3957.
4. 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 10th day of December, 2015.

  
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Jeffrey C. Johnson  
Chairman

  
\_\_\_\_\_  
Rowena E. Perez  
Commissioner

  
\_\_\_\_\_  
Joseph M. McDonald  
Commissioner


  
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Peter Montinola  
Commissioner

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<sup>13</sup> Id at p. 3.

Order  
GPA's Procurement  
of Bucket Trucks  
GPA Docket 15-23  
December 10, 2015

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Michael A. Pangelinan  
Commissioner

  
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Filomena M. Cantoria  
Commissioner

  
\_\_\_\_\_  
Andrew E. Niven  
Commissioner



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF: ) GPA Docket 15-22  
)  
The Application of the Guam Power )  
Authority to Approve the Procurement of ) **ORDER**  
a Performance Management Contract )  
(PMC) for Combustion Turbine Power )  
Plants. )

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of Guam Power Authority ["GPA"] for Contract Review and Approval of GPA's Procurement of a Performance Management Contract (PMC) for Combustion Turbine Power Plants.<sup>1</sup>
2. GPA intends to hire a PMC for the Dededo Combustion Turbine Units 1 & 2, the Yigo Combustion Turbine, and the Macheche Combustion Turbine.<sup>2</sup>
3. GPA requests that the PUC approve the issuance of an Invitation for Multi-Step Bid ["IFB"], No.GPA-001-16 relative to the procurement of a PMC for the Combustion Turbine Power Plants.<sup>3</sup>

BACKGROUND

4. The PUC incorporates herein the Background statement contained in the PUC Counsel Report filed herein on December 8, 2015.<sup>4</sup>
5. GPA presently has Performance Management Contract (PMC) agreements with TEMES and KEWP for operation of the baseload plants. GPA intends to use the same model of agreement to retain a PMC for operations and maintenance of its

<sup>1</sup> GPA Petition for Approval for Procurement of a Performance Management Contract (PMC) for Combustion Turbine Power Plants, GPA Docket 15-22, filed November 17, 2015.

<sup>2</sup> Guam Consolidated Commission on Utilities Resolution No. 2015-46, "Authorizing Management of the Guam Power Authority to Procure Services for a Performance Management Contract for the Combustion Turbine Power Plants", adopted September 16, 2015.

<sup>3</sup> Invitation for Multi-Step Bid, No.GPA-001-16, Performance Management Contract for GPA's Combustion Turbine Power Plants: Dededo CT, Macheche CT and Yigo CT, October 2015.

<sup>4</sup> PUC Counsel Report, GPA Docket 15-22, filed on December 8, 2015.

**ATTACHMENT E**



Combustion Turbine Power Plants (in particular, the Dededo CT Plants 1 & 2, the Yigo CT, and the Macheche CT).<sup>5</sup>

6. In CCU Resolution No.2015-46, the Guam Consolidated Commission on Utilities approved GPA's request to procure a Performance Management Contract for the Combustion Turbine Power Plants.<sup>6</sup>
7. The Dededo Combustion Turbine Unit 1 (CT 1) and Unit 2 (CT 2) have been out of service since 2010 and 2004 respectively; the Dededo Combustion Turbine Power Plants have mechanical and environmental compliance issues that must be resolved, prior to proceeding with re-commissioning of the units, to support the reserve capacity requirements.<sup>7</sup>
8. The CCU indicates that repairs are pending on the CT 2 Generator and the switch gear for CT 1, as well as on auxiliary systems, fuel tank and control systems for both units, in an amount not to exceed \$10M.<sup>8</sup>
9. GPA believes that re-commissioning of these units will provide opportunities "to better support the Department of Defense with their critical mission at Anderson Air Force Base and NCTAMS including serving those facilities through adverse weather using an existing underground 34.5KB line between the power plant and Anderson Air Force Base".<sup>9</sup>
10. GPA further indicates that the Department of Defense "had previously expressed interest in investing in the rehabilitation of the Dededo Plant dedicating such capacity to their critical reliability needs".<sup>10</sup>
11. The CCU believes that the PMC could potentially be used to run the Piti 7 facility (the TEMES Combustion Turbine Plant); GPA's Energy Conversion Agreement with TEMES expires in 2017 resulting in the turnover of the Piti 7 facilities to GPA.<sup>11</sup>

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<sup>5</sup> GPA Petition to Approve the Procurement of a Performance Management Contract (PMC) for Combustion Turbine Power Plants, GPA Docket 15-22, filed November 17, 2015, at pgs 1-2.

<sup>6</sup> The Guam Consolidated Commission on Utilities Resolution No.2015-46, adopted September 16, 2015, at p.2.

<sup>7</sup> Id at p. 1.

<sup>8</sup> Id.

<sup>9</sup> Id at p. 1.

<sup>10</sup> Id.

<sup>11</sup> Id.

12. Along with its Petition in this matter, GPA has filed an Invitation for Multi-Step Bid No.GPA-001-16, Performance Management Contract for GPA's Combustion Turbine Power Plants: Dededo CT, Macheche CT and Yigo CT.<sup>12</sup>
13. The IFB sets forth a two-step bidding process, including the establishment of a Qualified Bidders List (QBL) and an evaluation of Price Offers.<sup>13</sup>
14. The IFB establishes that the rehabilitation of the Dededo CTs is a "priority". It is intended that the PMC complete rehabilitation and repair of the Dededo CT 1 by April 2016, and CT 2 by July 2016.<sup>14</sup>
15. On commencement of the contract, the PMC will address all operational issues that may impact reliable operation and dispatching with regard to the Yigo and Macheche CTs.<sup>15</sup>
16. The IFB also provides an "option" for the PMC to provide operation and management services for the Piti 7 CT (TEMES CT).<sup>16</sup>
17. For the rehabilitation of the Dededo CTs, this will be prioritized to occur within the first 6 months of 2016.<sup>17</sup>
18. Overall, the PMC would be responsible for management for all of the plants and staff (which would be comprised of GPA employees, at least in part). The PMC would fund expenses for O&M, inventory management and procurement, as well as capital improvement project funding, but to be reimbursed by GPA.<sup>18</sup>
19. The proposed Performance Management Contract will be a 5-year contract, with options to extend for one 3-year term and one additional 2-year term.<sup>19</sup>

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<sup>12</sup> Invitation for Multi-Step Bid No.GPA-001-16, Performance Management Contract for GPA's Combustion Turbine Power Plants: Dededo CT, Macheche CT and Yigo CT, filed September 17, 2015.

<sup>13</sup> Id. at p. 54.

<sup>14</sup> Id.

<sup>15</sup> Id.

<sup>16</sup> Id. at p. 55.

<sup>17</sup> Id.

<sup>18</sup> Id.

<sup>19</sup> Id at p. 80.

20. GPA has submitted, with its filing, the proposed PERFORMANCE MANAGEMENT CONTRACT.<sup>20</sup> GPA has utilized a similar contract form that is currently used for PMCs such as TEMES and KEWP. In general the contract appears to include the standard contractual protections for GPA, such as insurance requirements, indemnification clause, responsibility for management, operations and maintenance, and performance guarantees.
21. A detailed structure is established whereby the PMC would provide personnel as management supervisors and then utilize GPA employees assigned to each Combustion Turbine Power Plant for operations.<sup>21</sup>
22. GPA will continue to supply all fuel necessary for the Combustion Turbine Power Plants.<sup>22</sup>
23. GPA retains the right to terminate the PMC for convenience or cause.<sup>23</sup>
24. The PMC will also make certain capacity, availability, heat rate and efficiency, and emission guarantees for the CT Plants. The Contract provides for incentives and penalties for the capacity and availability guarantees.<sup>24</sup>

#### DETERMINATIONS

25. The principal issue raised includes the projected costs for rehabilitation of all of the CT Plants (Dededo, Yigo, and Macheche). There are costs associated with each Plant over the 5-year period, such as for Fixed Management Fees and O & M expenses.
26. In Resolution No.2015-46, the CCU estimated that rehabilitation of the Dededo CTs alone could cost \$10M.
27. The costs estimated by the Navy for the Dededo CT Rehabilitation and Life Extension exceed \$10M.

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<sup>20</sup> Id. at pgs. 79-141.

<sup>21</sup> Performance Management Contract, Id., at Section 7.

<sup>22</sup> Performance Management Contract, Id., at Section 8.1.

<sup>23</sup> Performance Management Contract, Id., at Section 11.

<sup>24</sup> Performance Management Contract, Id., at Performance Guarantees, 7.0.

28. The estimated Costs for Macheche CT and Yigo CT Rehabilitation appear to exceed \$7.5M, although totals for the listing of costs are not entirely clear.
29. In addition, Annual O & M Budget and Fixed Management Fees for the CTs for FY2016-2020 will range from nearly \$2M to \$2.5M.
30. Although GPA has suggested that it would ask the Department of Defense to bear a portion or all of the costs for the Rehabilitation and Operation of the Dededo CTs, GPA has indicated that it has no written agreement with DOD/U.S. Military to pay any of the amounts for the Dededo CTs.
31. GPA generally indicates that the Fixed Management Fees and "Major O & M Projects will be funded through Revenue Funds under CIP". GPA further states that it would "work within the existing budget and reprioritize activities to fund the necessary CIP and Major O & M for improving reliability". However, as these projects are not presently budgeted (particularly the Fixed Management Fees) there is no new source of funding suggested.
32. At present GPA has not sufficiently identified funding sources for the CT PMC.
33. Although GPA has stated the possibility in the IFB that the TEMES CT could subsequently be included in the PMC, there is also no indication of what the cost would be for either the Fixed Management Fees or the O & M Annual Budget for the TEMES CT.
34. Before the PUC approves this undertaking, there should be an understanding of what costs will be borne by DOD/U.S. Military for the rehabilitation of the Dededo CTs.
35. According to GPA, at present, "as emergency units", the Dededo CT Units can run "up to 1500 hours". There may be an issue whether the costs involved are justified based upon the number of hours that the plants are able to run.
36. Another issue presented was the extent to which the Dededo CTs would serve military verses island wide power system needs. GPA indicated that "the Dededo Units will be included in GPA's Dispatch for use as peaking units and as additional capacity maintaining reliability. The units will be dedicated to the US Department of Defense **during emergency situations** when it is critical to provide power to the military".

37. GPA has not indicated the primary purpose for the Dededo CTs, or who will be the primary beneficiary of these units.
38. There is an issue as to whether the Dededo CT Plants and the Macheche/Yigo CTs should be included under one PMC, or whether Dededo CT should be under a separate PMC. The Dededo Plants have not been operational for many years. GPA has managed to run both the Yigo and Macheche CTs on its own without a PMC for many years.
39. There is an issue of whether GPA should outsource generation under the PMC or through the Independent Power Producer model. There should be continued policy discussion between the PUC and GPA concerning the relative merits of the PMC verses the IPP models.

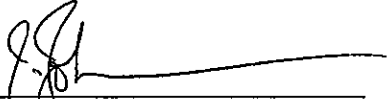
#### **ORDERING PROVISIONS**


After review of the record herein, including GPA's Application for Approval of a Procurement of a PMC for the Combustion Turbine Power Plants, 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:

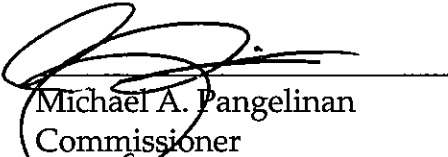
1. Action on GPA's Application for approval of its Procurement of a PMC for the Combustion Turbine Power Plants is hereby deferred.
2. GPA has not adequately explained the cost of the PMC, how it intends to fund the PMC, and the need for and efficacy of the proposed PMC.
3. GPA should prepare an amended request which adequately addresses the issues set forth herein.
4. GPA should consider preparing a workshop presentation to the PUC Commissioners.
5. 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.

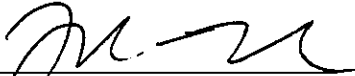
Dated this 10th day of December, 2015.

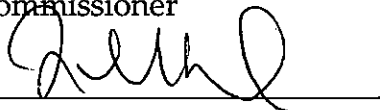
  
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Jeffrey C. Johnson  
Chairman

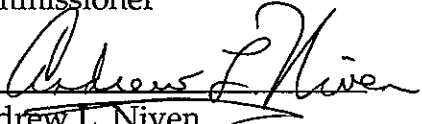
  
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Rowena E. Perez  
Commissioner

  
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Michael A. Pangelinan  
Commissioner

  
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Filomena M. Cantoria  
Commissioner

  
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Joseph M. McDonald  
Commissioner

  
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Peter Montinola  
Commissioner

  
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Andrew L. Niven  
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF: ) GPA Docket 15-24  
)  
The Application of the Guam Power )  
Authority Requesting Approval of the ) **ORDER**  
Performance Management Contract )  
(PMC) for the Management, Operation )  
and Maintenance of the GPA Cabras 1&2 )  
Power Plants )

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Application of the Guam Power Authority Requesting Approval of the Performance Management Contract (PMC) for the Management, Operation and Maintenance of the GPA Cabras 1&2 Power Plants.<sup>1</sup>
2. The Application requests a 1-year extension of the Performance Management Contract between GPA and Taiwan Electrical & Mechanical (TEMES).<sup>2</sup>

BACKGROUND

3. GPA's Application indicates that the prior base period for the TEMES PMC commenced on October 1, 2010 and expired on September 30, 2015. The Guam Consolidated Commission on Utilities ["CCU"], in Resolution No.2015-35, previously approved a 3-month extension for the TEMES PMC.<sup>3</sup> The PMC with TEMES provides for renewal by GPA, at its election, for up to an additional five year term.<sup>4</sup>
4. In Resolution No.2015-62A, the CCU approved a 1-year contract extension for the Performance Management Contract (PMC) for the Management, Operation and

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<sup>1</sup> GPA Application Requesting Approval of the Performance Management Contract (PMC) for the Management, Operation and Maintenance of the GPA Cabras 1&2 Power Plants, GPA Docket 15-24, filed November 27, 2015.

<sup>2</sup> Id. at p. 1.

<sup>3</sup> Id.

<sup>4</sup> PUC Counsel Report, GPA Docket 10-04 [the Petition of Guam Power Authority for Early Review and Approval of the New PMC Contract for Cabras 1&2] dated September 13, 2010 at p. 2.

**ATTACHMENT F**

Maintenance of the GPA Cabras 1&2 Power Plants, for the period of January 1, 2016 to December 31, 2016.<sup>5</sup>

5. The Guam Consolidated Commission on Utilities believes that GPA has insured the availability and efficiency of the Cabras 1&2 Power Plants through the Performance Management Contract awarded to TEMES.<sup>6</sup>
6. On April 30, 2015, the PUC authorized GPA to issue a procurement for a single Performance Management Contractor for the Cabras 1&2 and 3&4 Plants; GPA had anticipated that, by reducing the number of PMCs for the Cabras Plants from 2 to 1, GPA would reduce the current fixed management fees.<sup>7</sup>
7. Subsequently, GPA, through CCU Resolution No.2015-15, issued a Multi-Step Bid for a Single Performance Management Contract for the Cabras 1&2 and 3&4 Power Plants.<sup>8</sup>
8. However, on August 31, 2015, there was a major explosion at the Cabras Units 3&4; these units are currently offline and not available for dispatch. The Root Cause of the explosion is still under investigation.<sup>9</sup>
9. Because of the explosion, GPA has now determined that it will no longer, at least for the present time, proceed with the procurement for a single performance management contract for all of the Cabras Plants. Based upon the present unavailability of the Cabras 3&4 Plants, GPA believes that it is vital to ensure the continued operations of Cabras 1&2 through the retention of the present Performance Management Contractor TEMES.<sup>10</sup>
10. Given the need for the continued operation of the Cabras 1&2 Plants, including completion of life-extension projects, and meeting availability, reliability and efficiency standards, GPA submits that the PMC TEMES will contribute to the

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<sup>5</sup> Guam Consolidated Commission on Utilities Resolution No.2015-62A, AUTHORIZING THE MANAGEMENT OF THE GUAM POWER AUTHORITY TO EXTEND THE PERFORMANCE MANAGEMENT CONTRACTS FOR THE CABRAS 1&2 POWER PLANTS, adopted on November 25, 2015.

<sup>6</sup> Id. at p. 1.

<sup>7</sup> PUC Order, GPA Docket 15-11, dated April 30, 2015.

<sup>8</sup> Guam Consolidated Commission on Utilities Resolution No.2015-62A, filed on November 25, 2015.

<sup>9</sup> Id at p. 1.

<sup>10</sup> Id.



efficient operation of the Cabras 1&2 Power Plants, and that a PMC is "reasonable, prudent, and necessary".<sup>11</sup>

11. PUC Counsel filed his Report herein on December 5, 2015.<sup>12</sup>

### **DETERMINATIONS**

12. The Cabras 3&4 explosion caused disruption to the island wide power system. It is understandable that GPA is reluctant to interrupt the PMC arrangements at the Cabras 1&2 Plants. Based upon GPA's need to maintain the continued availability and power production capacity of the Cabras 1&2 Plants, it is reasonable for GPA to retain the present PMC TEMES.
13. TEMES has many years of experience in managing and operating the Cabras 1&2 Plants. It should be able to assist GPA in ensuring that the plants continue to operate efficiently.
14. GPA has agreed with TEMES on a fixed management fee of \$133,859.31 per month during the extension period for a 12-month cost of \$1,606,311.68. GPA further estimates a 1-year cost of \$1,148,062.61 in routine Operation & Maintenance expenses, for a total contract extension cost of \$2,754,374.29.<sup>13</sup>
15. The estimated 12-month cost for the PMC extension of \$1,148,062.61 in routine Operation & Maintenance costs is consistent with the O & M cost under prior PMC Contracts. For example, in the last year of the prior 5-year contract between GPA and TEMES, the Annual Operation & Maintenance Spending Budget was \$1,116,792.42, which is only slightly less than the projected routine Operation & Maintenance budget for the 1-year contract extension for TEMES.<sup>14</sup>

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<sup>11</sup>GPA Application Requesting Approval of the Performance Management Contract (PMC) for the Management, Operation and Maintenance of the GPA Cabras 1&2 Power Plants, GPA Docket 15-24, filed November 27, 2015, at p. 2.

<sup>12</sup> PUC Counsel Report, GPA Docket 15-24, filed December 5, 2015.

<sup>13</sup> Guam Consolidated Commission on Utilities, Resolution No.2015-62A, adopted November 25, 2015, at p. 1.

<sup>14</sup> PUC Counsel Report, GPA Docket 10-04 [the Petition of Guam Power Authority for Early Review and Approval of the New PMC Contract for Cabras 1&2] dated September 13, 2010 at p. 2.

16. The Fixed Management Fee for the 12-month period of the extension is \$1,606,311.68. The Fixed Management Fee in the fifth year of the prior contract was greater, at \$1,697,524.48.<sup>15</sup>
17. During this period of instability in the island wide power system, it is prudent for GPA to retain the services of TEMES as the PMC for Cabras 1&2.

### **ORDERING PROVISIONS**

After review of the record herein, including GPA's Application for Approval of the PMC for the Cabras1&2 Plants, 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. The one year extension of the PMC between GPA and TEMES for the management, operation and maintenance GPA's Cabras1&2 Plants is hereby approved. The PMC shall be extended from January 1, 2016, through December 31, 2016.
2. GPA is authorized to expend \$2,754,374.29 for the one year extension of the Cabras1&2 PMC.
3. GPA shall file a copy of the One Year Extension of the PMC 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 Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.


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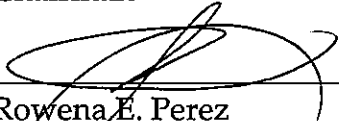
<sup>15</sup> Id.


Order  
GPA's Extension of the PMC  
For Cabras 1&2  
GPA Docket 15-24  
December 10, 2015

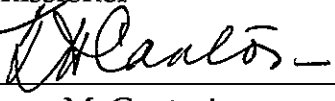
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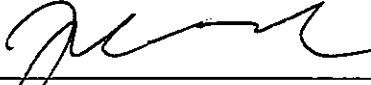
Dated this 10th day of December, 2015.

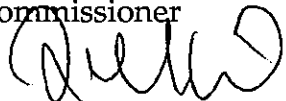
  
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Jeffrey C. Johnson  
Chairman

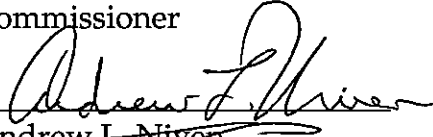
  
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Rowena E. Perez  
Commissioner

  
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Michael A. Pangelinan  
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Filomena M. Cantoria  
Commissioner

  
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Joseph M. McDonald  
Commissioner

  
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Peter Montinola  
Commissioner

  
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Andrew L. Niven  
Commissioner



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF: ) GPA Docket 15-25  
)  
The Application of the Guam Power )  
Authority Requesting Approval of the ) **ORDER**  
Performance Management Contract )  
(PMC) for the Management, Operation )  
and Maintenance of the GPA Cabras 3&4 )  
Power Plants )

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**INTRODUCTION**

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Application of the Guam Power Authority Requesting Approval of the Performance Management Contract (PMC) for the Management, Operation and Maintenance of the GPA Cabras 3&4 Power Plants.<sup>1</sup>
2. The Application requests a 15-month extension of the Performance Management Contract between GPA and Korea East-West Power (KEWP). GPA has agreed with KEWP on a reduced fixed management fee of \$87,769 per month during the extension period for a 15-month cost of \$1,316,535, and is estimating \$699,655 in routine Operations & Maintenance (O&M), for a total contract extension cost of \$2,015,190.<sup>2</sup>

**BACKGROUND**

3. GPA's Application indicates that the prior base period for the KEWP PMC commenced on July 1, 2010 and expired on June 30, 2015. The Guam Consolidated Commission on Utilities ["CCU"], in Resolution No.2015-35, previously approved a 3-month extension for the KEWP PMC.<sup>3</sup> The PMC with KEWP provides for renewal by GPA, at its election, for up to an additional five year term.<sup>4</sup>
4. In Resolution No.2015-62B, the CCU approved a 15-month contract extension for the Performance Management Contract (PMC) for the Management, Operation and

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<sup>1</sup> GPA Application Requesting Approval of the Performance Management Contract (PMC) for the Management, Operation and Maintenance of the GPA Cabras 3&4 Power Plants, GPA Docket 15-25, filed November 27, 2015.

<sup>2</sup> Id. at p. 1.

<sup>3</sup> Id.

<sup>4</sup> PUC Counsel Report, GPA Docket 94-04 [the Application of Guam Power Authority to Approve the Performance Management Contract (PMC) for Cabras 3&4] dated April 26, 2010 at p. 2.

Maintenance of the GPA Cabras 3&4 Power Plants, for the period of October 1, 2015 to December 31, 2016.<sup>5</sup>

5. The Guam Consolidated Commission on Utilities believes that GPA has ensured the availability and efficiency of the Cabras 3&4 Power Plants through the Performance Management Contract awarded to KEWP.<sup>6</sup>
6. On April 30, 2015, the PUC authorized GPA to issue a procurement for a single Performance Management Contractor for the Cabras 1&2 and 3&4 Plants; GPA had anticipated that, by reducing the number of PMCs for the Cabras Plants from 2 to 1, GPA would reduce the current fixed management fees.<sup>7</sup>
7. Subsequently, GPA, through CCU Resolution No.2015-15, issued a Multi-Step Bid for a Single Performance Management Contract for the Cabras 1&2 and 3&4 Power Plants.<sup>8</sup>
8. However, on August 31, 2015, there was a major explosion at the Cabras Units 3&4; these units are currently offline and not available for dispatch. The Root Cause of the explosion is still under investigation.<sup>9</sup>
9. Because of the explosion, GPA has now determined that it will no longer, at least for the present time, proceed with the procurement for a single performance management contract for all of the Cabras Plants.<sup>10</sup>
10. There is an urgent need to complete the damage assessment and Root Cause Analysis for the Cabras 3&4 incident, and to commence rehabilitation of the Cabras 3 unit if possible.<sup>11</sup>

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<sup>5</sup> Guam Consolidated Commission on Utilities Resolution No.2015-62B, AUTHORIZING THE MANAGEMENT OF THE GUAM POWER AUTHORITY TO EXTEND THE PERFORMANCE MANAGEMENT CONTRACTS FOR THE CABRAS 3&4 POWER PLANTS, adopted on November 25, 2015.

<sup>6</sup> Id. at p. 1.

<sup>7</sup> PUC Order, GPA Docket 15-11, dated April 30, 2015.

<sup>8</sup> Guam Consolidated Commission on Utilities Resolution No.2015-62B, dated November 25, 2015.

<sup>9</sup> Id at p. 1.

<sup>10</sup> Id.

<sup>11</sup> Id.

11. KEWP, the PMC for Cabras 3&4 can support GPA through this critical period by providing valuable expertise and support in areas such as Engineering Assessment, technical Services, Program Management and related tasks.<sup>12</sup>
12. PUC Counsel filed his Report herein on December 7, 2015.<sup>13</sup>

### DETERMINATIONS

13. KWEPP could assist with procurement of necessary equipment needed to repair Cabras 3. Having KWEPP assist GPA with procurement would be of great benefit to GPA. Without such assistance GPA would have to utilize its own more cumbersome and time consuming procurement process to obtain materials for the repair of Cabras 3.
14. KWEPP has many years of experience in managing and operating the Cabras 3&4 Plants. It should be able to assist GPA in returning Cabras 3 to operability. KWEPP is also assisting Pernix with the Roof Demolition and reconstruction services for the Cabras 3&4 Plants.<sup>14</sup>
15. It is not appropriate for KWEPP to be in any manner involved in the conduct of the investigation of the Root Causes of the Cabras3&4 explosion. It is theoretically possible that KWEPP, as PMC for Cabras3&4, could bear some responsibility for the explosion (although there are presently no known facts which would support such a conclusion).
16. GPA should preclude any active involvement by KWEPP in the coordination of the investigation or the undertaking thereof. It is appropriate for KWEPP to provide any information in its possession to the investigating parties concerning possible causes of the explosion, but not to be a participant in conducting the investigation.
17. GPA could defer its decision as to whether KWEPP should be hired as the PMC until there is a determination of whether Cabras 3 or 4 can be repaired. However, in the event that neither plant is repairable, GPA has some protection in that the contract extension will include a provision for termination upon 30 days' notice.<sup>15</sup>

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<sup>12</sup>Id.

<sup>13</sup> PUC Counsel Report, GPA Docket 15-25, filed December 7, 2015.

<sup>14</sup> Phone Conference between GPA Counsel and PUC Counsel on December 7, 2015.

<sup>15</sup> Guam Consolidated Commission on Utilities Resolution No.2015-62B, dated November 25, 2015, at p. 2.

18. O&M expenses will be reimbursed to the PMC as required and include the cost for cleanup and maintenance during the restoration period as well as consumables for operations, preventive maintenance and overhaul when the unit is returned to service.<sup>16</sup>
19. Given that Cabras 4 is likely inoperable, and Cabras 3 will not be operable until the roof demolition and the investigation are completed (possibly not until August of 2016), the question arises as to precisely what services GPA is paying KEWP for.
20. During this period of instability in the island wide power system, it may be prudent for GPA to retain the services of KEWP as the PMC for Cabras 3&4. KEWP has experience with those plants, as opposed to another contractor. While the extent and exact nature of involvement by KEWP are not clear, extending the contract time of the existing PMC contract with KEWP is reasonable to support GPA with program management, engineering, plant preservation and restoration, and other technical services.
21. Subject to the protections that the contract extension will include a provision for termination upon 30 days' notice and a provision that O&M expenses will be reimbursed to the PMC only as required, the contract amounts requested by GPA are reasonable.

### **ORDERING PROVISIONS**

After review of the record herein, including GPA's Application for Approval of the PMC for the Cabras3&4 Plants, 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. The 15-month extension of the PMC between GPA and KWEPP for the management, operation and maintenance GPA's Cabras3&4 Plants is hereby approved (subject to conditions). The PMC shall be extended from October 1, 2015, through December 31, 2016.

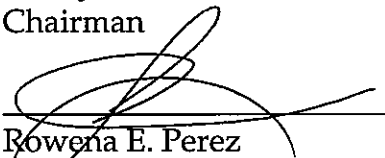
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<sup>16</sup> Id.


2. GPA is authorized to expend a fixed management fee of \$87,769 per month during the extension period for a 15-month cost of \$1,316,535, and \$699,655 in routine O&M, for a total contract extension cost of \$2,015,190.
3. The extension is approved subject to the following conditions: GPA must preclude any active involvement by KEWP in the undertaking or coordination of the investigation; KEWP should provide any information in its possession to the investigating parties concerning possible causes of the investigation, but not be a participant in the conduct of the investigation; the contract extension will include a provision for termination upon 30 days' notice; and the contract extension will include a provision that O&M expenses will be reimbursed to the PMC only as required.
4. GPA shall file a copy of the 15-month Extension of the PMC with the PUC.
5. 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.

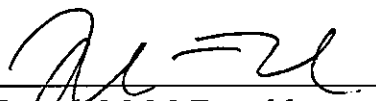
Dated this 10th day of December, 2015.

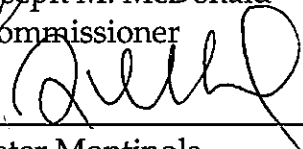
  
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Jeffrey C. Johnson  
Chairman

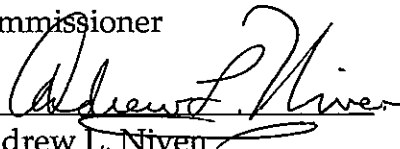
  
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Rowena E. Perez  
Commissioner

  
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Michael A. Pangelinan  
Commissioner

  
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Filomena M. Cantoria  
Commissioner

  
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Joseph M. McDonald  
Commissioner

  
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Peter Montinola  
Commissioner

  
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Andrew L. Niven  
Commissioner