

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF GUAM**

GUAM POWER AUTHORITY -)
LEVELIZED ENERGY ADJUSTMENT)
CLAUSE AND FUEL RISK) DOCKET 99-12
MANAGEMENT PROGRAM)
_____)

ORDER

Background

In furtherance of a protocol established by Commission order dated January 29, 1996, Guam Power Authority [GPA] and the Commission's regulatory consultant, Georgetown Consulting Group [GCG] have filed a stipulation dated February 17, 2000, by which they agree to the levelized energy adjustment clause [LEAC] factor, which should be applied to civilian customer bills for the period April 1, 2000 through September 30, 2000. A copy of the stipulation is attached as **Exhibit A**.

By separate stipulation, also filed on February 17, 2000 [**Exhibit B**], GPA and GCG jointly recommend that the Commission approve GPA's request for authority to establish a fuel risk management program, the cost of which would be recovered under the LEAC. In order for GPA to recover these expenses under the LEAC, GPA's Schedule Z must be amended.

In this proceeding, the Commission has carefully reviewed the GCG report dated February 17, 2000, which examines GPA's fuel requirements. The report focuses on frequent maintenance problems at the GPA operated Cabras units, which GCG asserts have required GPA customers to pay over \$10 million in excess fuel costs in calendar year 1999, due to the need to operate units which burn more expensive fuel. This situation is aggravated by the fact that the Commission authorized the expenditure of over \$15 million by GPA under the maintenance surcharge during the period 1996 to 1997 to restore the Cabras units. In the Exhibit A stipulation, GPA has agreed to file a report with the Commission not later than June 15, 2000 regarding the Cabras situation and also to advise the Commission whether

GPA intends to pursue a public-private partnership to resolve the Cabras problems.

Pursuant to due and lawful public notice, the Commission conducted a public hearing at 6:00 p.m. on February 17, 2000 to consider the GPA petition that Schedule Z [LEAC] be amended to enable GPA to recover expenses related to the fuel risk management program. The hearing also afforded the Commission the opportunity to discharge its important surveillance responsibility over the condition and readiness of GPA's generation units [a principle driver of GPA fuel costs].

After carefully reviewing the above described stipulations, the information obtained at the February 17, 2000 public hearing, the September 8, 1999 GPA petition for establishment of a fuel risk management program, the GCG February 9, 2000 report on the fuel risk management program and the GCG February 17, 2000 report on the LEAC for the period April through September, 2000, all at a duly noticed and convened Commission meeting on February 23 and 24, 2000 and for good cause shown, the Commission by a vote of six Commissioners, **ORDERS THAT:**

Order

- 1 A LEAC factor of (\$0.024757) cents per kilowatt hour shall be used for all civilian bills, effective April 1, 2000 through September 30, 2000 to recover GPA's fuel expenses for that period.
- 2 GPA shall comply with the terms of the stipulations attached to this order as Exhibits A and B.
- 3 GPA's amended Schedule Z, in form attached to Exhibit B, is approved.
4. The Commission emphasizes its serious concern over the operational problems at the GPA operated Cabras units, which in this time of economic trouble for the island, has required GPA ratepayers to incur unnecessary fuel expenses. Until GPA's generation problems are clearly diagnosed and resolved, the Commission will use the six month LEAC rate setting process as a surveillance tool. The Commission strongly

encourages the GPA board of directors to closely examine the feasibility of establishing a public-private partnership to address the Cabras problem. The Commission stands ready to provide full regulatory assistance in this effort.

5. A copy of this order shall be transmitted to GPA board Chairman Frank Shimizu.

Dated this __ day of February, 2000.


Terrence M. Brooks
Joseph D. Torres
Filomena M. Cantoria
Edward C. Crisostomo
Vicente D. Gumataotao
Joseph M. McDonald
Paul E.R. Packbier

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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF GUAM**

PUBLIC UTIL

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GUAM POWER AUTHORITY -)
LEVELIZED ENERGY ADJUSTMENT) DOCKET 99-12
CLAUSE)

ORDER

On March 1, 2001 the Guam Public Utilities Commission [Commission] conducted a duly noticed public hearing in Room 202, GCIC Building, Hagatna to consider testimony on:

- 1 Commission consultant Georgetown Consulting Group's [Georgetown] report on Guam Power Authority's [GPA] accounts receivable and collection practices;
2. The establishment of a GPA levelized fuel charge for the period April 1, 2001 through September 30, 2001; and
3. GPA efforts, pursuant to the Commission's November 17, 2000 order, to retain consulting assistance to normalize the maintenance and operation of the Cabras baseload plants.

On March 6, 2001, the Commission, at a duly noticed and convened meeting and after deliberation on the above topics, adopted this Order by the affirmative vote of the Commissioners who signed below. Because of the significance of these topics to GPA's mission of providing reliable, reasonably priced power to the island, each will be separately addressed in this Order.

GPA's Accounts Receivable Crisis.

In its November 17, 2000 Order in this docket [Attachment A], the Commission recognized that GPA has struggled under a growing accounts receivable crisis, which could jeopardize its financial stability. Accordingly, the Commission directed its regulatory consultant Georgetown Consulting Group [Georgetown] to undertake a study of GPA's accounts receivable and to make recommendations for addressing the crisis.

The Georgetown report dated January, 2001 found that:

- a. GPA's pre-FY01 receivables exceeded \$63.2 million dollars.
- b. Guam Waterworks Authority, which is under Commission

jurisdiction, owes GPA over \$13.8 million dollars, not including amounts owed under GPA Tariff E.

c. The Utility Bank, which was created by statute to fund government line agency FY01 utility expenses, is underfunded by \$11 million dollars.

d. GPA has no disconnection policy for government accounts.¹

e. GPA's receivable levels may cause GPA's auditors to require an accrual for doubtful debts, which could put GPA in default under its bond covenants, impair its bond rating and restrict its ability to access financial markets. As this Georgetown finding [supported by legal opinion attached to the report] identified a risk of grave magnitude, GPA, at the Commission's request, sought the opinion of its auditor Ernst & Young [E&Y] on the subject. E&Y's March 1, 2001 response is made **Attachment B** to this Order. **The seriousness of GPA's financial risk if the Government of Guam does not address E&Y's concerns by March 31, 2001, cannot be overstated.**

In response to the above findings, GPA and Georgetown entered into an amended stipulation, dated March 2, 2001, [Stipulation] which proposes remedial activities. The stipulation is made **Attachment C** to this Order. Also worthy of note, is the Commission's receipt of the Public Auditor Doris Brook's March 2, 2001 letter to the Commission, which is made **Attachment D**.

After careful review and consideration of the above matters and the record in this docket, the Commission **HEREBY ORDERS THAT:**

A copy of this Order shall be transmitted to the 26th Guam Legislature, with the strong recommendation that it immediately commence appropriate proceedings to address the crisis articulated in E&Y's March 1, 2001 letter.

2. The Stipulation is approved. The Commission's administrative law judge [ALJ] is authorized and empowered to oversee GPA's compliance with the Stipulation, with full authority to issue such administrative orders as may be necessary or appropriate, in his judgment, to interpret and implement the stipulation. The Commission reserves the authority to review and approve a

¹ In its responses to Georgetown discovery [See *Appendix B at page 2 of Georgetown AR Report*], GPA asserted with regard to its disconnection service rules that "The Service Rules are being followed, except for GovGuam agencies, which provide essential services involving community, health, safety and welfare." "The Authority is not in a position to select which GovGuam agencies affect public health or public safety directly, as all GovGuam agencies will eventually impact on the public well being." GPA has since issued disconnection notices to all Gov Guam agencies, but without any clearly articulated policy for governing the process.

comprehensive GPA collection and disconnection policy, which shall be prepared by GPA under ALJ's oversight for Commission consideration at the May regulatory session.

- 3 ALJ shall oversee the commencement of prehearing proceedings for a public hearing during the May regulatory session at which the Commission will consider recommendations to enable Guam Waterworks Authority to pay its outstanding receivable to GPA, including amounts owed under GPA Tariff E. This order is intended to give GPA's auditor comfort that a source of revenue will be identified to retire this receivable.
- 4 ALJ shall oversee a Georgetown study of the recommendations contained in Public Auditor Brook's March 2, 2001 letter, with specific attention to her recommendation that the 1993 GPA management audit should be updated.²

2. *GPA Levelized Fuel Charge For Period April 1, 2001 through September 30, 2001.*

Georgetown and GPA have jointly recommended in the Stipulation, that the current fuel charge [\$0.053613] remain in place for the period April 1, 2001 through September 30, 2001.

By its February 25, 2000 order in Docket 99-12, the Commission established the regulatory practice of conducting oversight hearings to review Georgetown and GPA positions on the establishment of prospective levelized fuel charges.³ This regulatory practice was commenced and shall continue to enable the Commission to evaluate the reasonableness of the fuel charges being passed through to GPA customers under the levelized fuel charge. In September, 2000, Commission proceedings to establish the current levelized fuel charge, Georgetown asserted, without challenge by GPA, that GPA ratepayers in FY00 paid over \$15 million dollars in unreasonable fuel charges, because GPA was unable to reasonably maintain and operate its Cabras baseload generating plants.⁴ As part of prehearing activities on this subject, ALJ posed questions to Georgetown and GPA by his December 4, 2000 letter on the nature and

² In testimony before the Commission at its March 1, 2001 public hearing, Senator Joe Ada, who chairs the legislative committee with oversight of GPA, also recommended that the Commission update the 1993 GPA management audit.

³ The February 25, 2000 Order states in part: "The Commission emphasizes its serious concern over the operational problems at GPA operated Cabras units, which in this time of economic trouble for the island, has required GPA ratepayers to incur unnecessary fuel expenses. Until GPA's generation problems are clearly diagnosed and resolved, the Commission will use the six month LEAC rate setting process as a surveillance tool.

⁴ In its testimony contained in Attachment E, GPA objects to the Commission's reference to its fuel costs as being unreasonable. The record is clear that GPA's loss of management expertise and its lack of an effective collection policy to control government receivable levels, which deprived GPA of adequate funds to maintain the Cabras plants, have been root causes in the accrual of unreasonable fuel charges. The regulatory issue is not whether unreasonable fuel expenses have been incurred, but what should be done to eliminate them.

limits of Commission regulatory authority to address such unreasonable expenses. The Commission is not satisfied with the responses of Georgetown and GPA to ALJ's questions [Attachment E] and will, therefore, direct that ALJ order further detailed responses from them for consideration at the May regulatory session.

After careful review and consideration of the above matters and the record in this docket, the Commission **HEREBY ORDERS THAT:**

- 1 A fuel recovery charge of \$0.053613 per kWh is approved and shall be used for all civilian bills, effective April 1, 2001 through September 30, 2001 to recover GPA's fuel expenses for that period. This represents no change in the fuel charges to civilian customers for this period.
- 2 ALJ is directed to obtain more detailed positions, with supporting memoranda of law, from GPA and Georgetown on the issues addressed in Attachment E. The Commission will consider these issues during the May regulatory session.

3. Cabras Management Contract.

Under the authority conferred on the ALJ by the Commission's November 17, 2000 order [see Attachment A], GPA has entered into an interim management contract [IMC] with Edison O&M Services for Cabras 1 and 2. The IMC is intended to serve as a bridge to a permanent management agreement for the Cabras plants, which is expected to be in place before year's end. At GPA's request, the IMC was limited to Cabras 1 and 2 because GPA has an existing management agreement with Hanjung-Samsung-Daewoo for Cabras 3 and 4.⁵ At the March 1, 2001 public hearing, GPA briefed the Commission on the purpose and objectives of the IMC. The Commission finds that the IMC and the development of a permanent management agreement for the entire Cabras plant [1-4] are important remedial steps in eliminating the cause of unreasonable fuel expenses.

After careful review and consideration of the above matters and the record in this docket, the Commission **HEREBY ORDERS THAT:**

ALJ is directed to establish a protocol to keep the Commission informed of IMC activities. The Commission expects quarterly reports on these activities.

- 2 In furtherance of the Commission's November 7, 2000 order, IMC phase 2 activities shall require ALJ's prior approval.

⁵ GPA has a consulting agreement dated February 17, 1999 with Hanjung-Samsung-Daewoo, who designed and installed Cabras 3&4 to provide training, management mentoring, O&M technical advice and quarterly engine overhauls. The agreement does not contain a provision with fixes its term.

3. ALJ shall establish a protocol for the development and approval of the PMC, including the issue of whether it should cover Cabras 3 and 4.


Dated this 6th day of March, 2001.



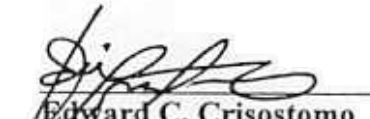
Terrence M. Brooks




Joseph D. Torres



Filomena M. Cantoria



Edward C. Crisostomo

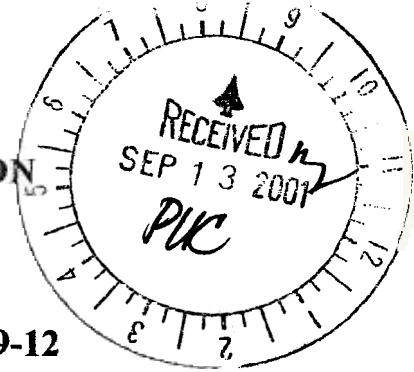


Joseph M. McDonald

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF GUAM**

**GUAM POWER AUTHORITY
COLLECTION POLICY**

DOCKET 99-12



Decision and Order

Regulatory Background

By its November 17, 2000 Order in this docket, the Commission expressed concern over the extraordinary level of Guam Power Authority's [GPA] accounts receivable [over \$63 million as of September 30, 2000]¹. The Commission directed its regulatory consultant [Georgetown] to study the root causes of this problem and to recommend appropriate regulatory action to mitigate it.

In January 2001 Georgetown issued a report, which found that:

1. Guam Waterworks Authority [GWA] and Guam Memorial Hospital Authority [GMHA], as of September 2000, owed GPA over \$15 million for power services². The Commission has the statutory responsibility to enable these regulated utilities to pay these arrearages and to remain current on its obligations to GPA.³
2. Government of Guam line agencies⁴, as of September 2000, owed GPA \$19.2 million for power services. By Public Law [P.L.] 25-164, a Utility Bank was established to fund the payment of line agency utility bills, which accrue in FY01. However, Georgetown estimates that the bank was underfunded by \$10.4 million dollars in FY01.⁵

¹ As of June 1, 2001, GPA's accounts receivable had risen to \$69.6 million.

² As of June 1, 2001, this amount had grown to over \$18 million dollars.

³ 12 GCA 12004.

⁴ See **Attachment A** for a listing of the line agencies, which are funded by the Utility Bank. As of June 2001 this receivable had grown to \$22.7 million dollars [including DPW's account for public street lights].

⁵ See **Attachment B** [Georgetown Utility Fund Update from 5/14/01 report].

3. GPA does not have a comprehensive collection policy.
4. GPA's receivables level may cause GPA's auditors to require an accrual for doubtful debts, which could put GPA in default under its bond covenants, impair GPA's bond rating and restrict its ability to access financial markets. GPA's auditor [Ernst & Young] confirmed the Georgetown concern by letter dated March 1, 2001.⁶

During the Commission's March, 2001 regulatory session, and after considering the Georgetown report, the Commission ordered that:

1. The administrative law judge [ALJ] shall initiate proceedings to establish regulatory surcharges to enable GWA and GMHA to retire their arrearages to GPA.
2. GPA should prepare and present for Commission approval a comprehensive collection and disconnection policy.
3. The Legislature be informed of the Ernst & Young letter, of the forecasted \$10.4 million shortfall in FY01 Utility Bank funding and of the critical need for it to appropriate adequate funds to resolve the Government's obligation to GPA. **[In response to this directive, a copy of the Commission's March 6, 2001 Order was transmitted to the Legislature.]**

During the June, 2001 regulatory session, the Commission did not have five Commissioners in office to constitute a quorum to consider Commission staff activities in response to its March Order. In the current September 2001 regulatory session, the Commission has, under separate docket, established a surcharge to enable GWA to retire its arrearage to GPA. Proceedings will be conducted during the December 2001 regulatory session to establish a GMHA surcharge. Commission staff has also worked collaborately with GPA in developing a GPA collection policy for Commission review and approval.

It is within the context of this regulatory background, that the Commission now considers the proposed GPA collection policy and action

⁶ Attachment C.

steps, which are necessary to resolve the Government line agency arrearages to GPA.

Statutory Framework

The Commission's activities in this docket are driven by its statutory duty to:

1. Establish GPA rates and charges for services, which are at least adequate to cover the full cost of such service and any contractual agreements to bondholders *[12 GCA 12004]*.
2. Audit the quality and efficiency of GPA's management, operations, maintenance and service and issue orders necessary to insure GPA's compliance with audit findings *[P.L. 25-05:12]*.

It is significant that the Commission has been cautioned by Ernst & Young that unless it exercises this statutory authority to resolve the GPA accounts receivable crisis, Ernst & Young may be required in its FY01 GPA audit report to establish an accrual for doubtful debts, which may place GPA in default of its bond covenants⁷.

Findings

The Commission, having carefully considered the regulatory background in this docket, including the orders and reports discussed herein and in light of its statutory responsibilities, on motion duly made, seconded and carried by the affirmative vote of five Commissioners, and for good cause shown, finds that:

- 1 The Commission has conducted public hearings regarding the matters addressed in this order in accordance with 12 GCA 12016.
2. GPA's collection policy, in form as **Attachment D**, should be approved effective October 1, 2001, subject to the following conditions:

⁷ Mr. Richard Boice, partner of Ernst & Young reiterated this position in sworn testimony at the Commission's August 30, 2001 public hearing in Docket 00-01 regarding the establishment of the GWA surcharge to enable GWA to retire its payable to GPA and GTA. In this testimony, Mr. Boice also stated that in his opinion a seven year payment term for GPA receivables was the outside limit of reasonability under generally accepted accounting standards.

- a. GPA should inform its customers of the essential terms of the policy in advance of its effective date.
 - b. The collection policy should supercede all GPA policies, rules and regulations to the contrary.
- 3 The arrearage owed by the Government line agencies listed in Attachment A, which accrued prior to October 1, 2001 [the “Arrearage”] should be collected by the Commission under ALJ oversight in accordance with the following protocol:
 - a. Georgetown, in consultation with GPA, should be directed to quantify the Arrearage as of September 30, 2001. The Arrearage should be viewed as a single amount owed by the Government of Guam to GPA, rather than as a collection of amounts owed by numerous line agencies.⁸
 - b. The Arrearage should be paid, with interest [as established in the collection policy], in equal installments over a term of seven years.⁹ It is the Commission’s preference that the Legislature annually appropriate sufficient funds to cover the annual installment due under this protocol. Georgetown should be directed to quantify the amount of the annual installments necessary to retire the Arrearage, with interest, in seven years.
 - c. In the event the Legislature fails to appropriate the first installment by December 1, 2001¹⁰, then the Commission, on its own initiative, should conduct public hearings under 12 GCA 12016 during its December regulatory session to consider the establishment of a regulatory surcharge to fund the first installment. In this proceeding, the Commission would consider which GPA customer classes should be required to pay the

⁸ The Commission notes that a potential sources of funding for public streetlight arrearages might be found in 11 GCA 24104 and 12 GCA 8105.1.

⁹ See note 7.

¹⁰ The Commission cautions that any appropriation must be followed in the fiscal year by payment to GPA of the installment amount to avoid the necessity for a subsequent regulatory surcharge. The Commission will closely monitor this process.

surcharge. This process would then be repeated during each December regulatory session during the seven-year period.

- d. The Commission is aware that consideration is being given to the Government undertaking a pension bond, which would enable the Government to earmark funds to retire all or some portion of the Arrearage. During any hearing conducted under paragraph (c) above, the Commission would consider evidence regarding the probability that this bond undertaking will occur in the reasonably near future in evaluating the need for a regulatory surcharge.

Order


The Commission, having carefully considered the above described regulatory background, statutory framework and findings and the arguments and public comments made during the Commission public hearings conducted in this docket on September 6, 7 and 10, 2001, on motion duly made, seconded and carried by the affirmative vote of five Commissioners, and for good cause shown, hereby **ORDERS THAT:**

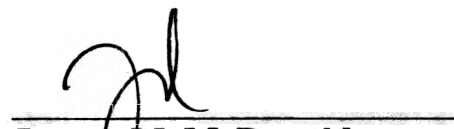
1. The GPA collection policy, in form attached hereto as Attachment D, is hereby approved, effective October 1, 2001, subject to the following conditions:
 - a. GPA shall inform its customers of the essential terms of the policy in advance of its effective date.
 - b. The collection policy shall supercede all GPA rules, policies and regulations to the contrary.
2. ALJ is authorized and directed to initiate regulatory proceedings to implement the following protocol for the collection of the Arrearage:
 - a. A copy of this Decision and Order shall be transmitted to the 26th Guam Legislature. ALJ shall make a courtesy call on the Chairman, Committee on Ways and Means [Senator Kaleo Moylan] to explain the rationale and protocol by which the Commission intends to oversee the collection of the Arrearage.

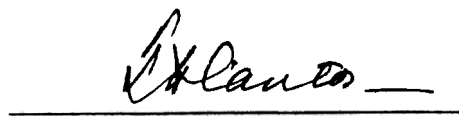
Every effort should be made to work collaboratively with the Legislature in this regard.

- b. Georgetown shall be directed to quantify the Arrearage and the amount of the annual installments necessary to retire the Arrearage, with interest, in seven years. Georgetown shall also be directed to investigate and report on the status of the proposed Government pension bond.
 - c. Preparations shall be undertaken to conduct, if necessary, a rate hearing during the December 2001 regulatory session to consider the establishment, if necessary, of a regulatory surcharge to fund the payment of the first installment.
3. GPA is ordered to pay the Commission's expenses in this proceeding, including without limitation, consulting and counsel fees and expenses and the expense of conducting hearing proceedings.

Dated this 13th day of September 2001.


Terrence M. Brooks

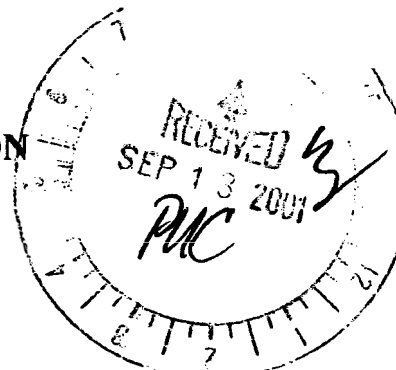

Joseph M. McDonald


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BEFORE THE PUBLIC UTILITIES COMMISSION
OF GUAM



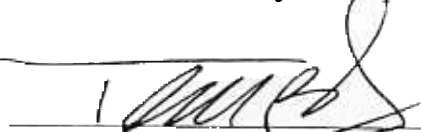
GUAM POWER AUTHORITY)
LEVELIZED ENERGY) DOCKET 94-04
ADJUSTMENT CLAUSE (LEAC))

ORDER

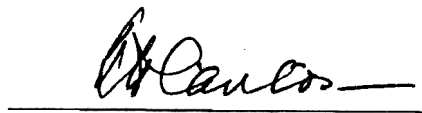
In furtherance of a protocol established by Commission order dated January 29, 1996, Guam Power Authority [GPA] and the Commission's regulatory consultant Georgetown Consultant Group [GCG] have agreed during duly noticed and convened public hearings held on September 6, 7 and 10, 2001, to the levelized energy adjustment clause [LEAC] factor, which should be applied to civilian customer bills for the period October 1, 2001 through March 31, 2002.

After carefully reviewing the joint position of GPA and GCG as further discussed in GCG's August 31, 2001 LEAC Report, and after discussion at a duly convened meeting held at the Commission's offices on September 12, 2001 and for good cause shown, on motion made, seconded and carried, the Commission, by a vote of five Commissioners, **ORDERS THAT:** a LEAC factor of \$0.048625 cents per kilowatt hour shall be used for all civilian bills, effective October 1, 2001 through March 31, 2002 to recover GPA's fuel expenses for that period.

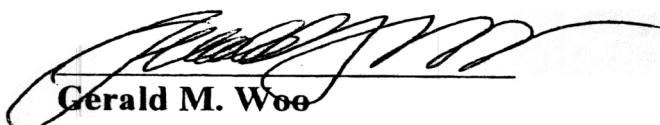
Dated this 12th day of September, 2001.


Terrence M. Brooks


Joseph M. McDonald


Filomena M. Cantoria


Edward C. Crisostomo


Gerald M. Woo

BEFORE THE PUBLIC UTILITIES COMMISSION
OF GUAM



GUAM POWER AUTHORITY)
LEVELIZED ENERGY) DOCKET 94-04
ADJUSTMENT CLAUSE (LEAC))

AMENDED ORDER¹

In furtherance of a protocol established by Commission order dated January 29, 1996, Guam Power Authority [GPA] and the Commission's regulatory consultant Georgetown Consultant Group [GCG] have agreed during a duly noticed and convened public hearing held on March 5, 2002, to the levelized energy adjustment clause [LEAC] factor, which should be applied to civilian customer bills for the period April 1, 2002 through September 30, 2002. The Commission has also carefully examined Georgetown's recommendation in its August 31, 2001 letter that Tariff Z should be amended to recognize the Commission's authority to disallow unreasonable fuel expenses during its semi-annual review of the LEAC. This Commission authority has been established by the Administrative Law Judge in his March 1, 2002 ruling.

After carefully reviewing the positions of GPA and GCG, and after discussion at a duly convened meeting held at the Commission's offices on March 14, 2002 and for good cause shown, on motion made, seconded and carried, the Commission, by a vote of five Commissioners, **ORDERS THAT:** 1) a LEAC factor of, \$0.042901 cents per kilowatt hour shall be used for all civilian bills, effective April 1, 2002 through September 30, 2002 to recover GPA's fuel expenses for that period; 2) GPA's Rate Schedule "Z" is hereby amended in form attached to this order. The purpose of this amendment to Schedule "Z" is to confirm the Commission's authority to prohibit GPA from passing unreasonable fuel expenses through to its customers; and 3) ALJ is authorized, prior to April 1, 2002 to adjust the LEAC factor to address projected fuel hedging expenses during the period, provided that such adjustment is jointly supported and recommended by GPA and GCG.

Dated this 14th day of March, 2002.


Terrence M. Brooks


Joseph M. McDonald


Filomena M. Cantoria


Edward C. Crisostomo

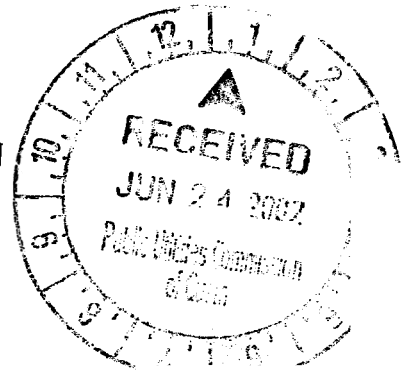

Gerald M. Woo

¹ This Amended Order corrects a typographical error in GPA CFO Bruce Pecon's March 6, 2002 letter to the Commission which was used in setting the LEAC factor.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF GUAM

GUAM POWER AUTHORITY)
TRANSMISSION LEVEL TARIFF)
CHANGE)

DOCKET 96-04




ORDER

In furtherance of duly noticed public hearings held on June 11 and 12 2002, the Guam Public Utilities Commission has considered the joint recommendation of Guam Power Authority [GPA] and Georgetown Consulting Group, by stipulation dated June 6 2002 and filed on June 10 2002 that the Commission approve amendments to GPA rate schedules L and P. The purpose of these amendments would be to provide customers, who can receive GPA service at 34.5Kv with a discount, as explained in the stipulation. No public comments were received in opposition to the proposed tariff amendments.

At a duly noticed and convened Commission meeting held at noon on June 24 2002 and on motion duly made, seconded and unanimously carried and for good cause shown, the Commission **HEREBY ORDERS THAT:**

1. The amendments to GPA rate schedules L and P in form contained in the attached stipulation are hereby approved and will be effective for service rendered on and after July 1 2002.
2. A copy of this Order shall be served on GPA. Upon production by GPA, the Commission shall stamp Schedules L and P, in form as amended by this Order, for its corporate records.


Dated this 24th day of June 2002.




Terrence M. Brooks



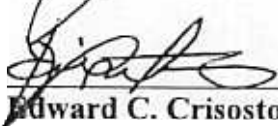
Filomena M. Cantoria



Gerald M. Woo



Joseph M. McDonald



Edward C. Crisostomo

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF GUAM**

GUAM POWER AUTHORITY)
LEVELIZED ENERGY)
ADJUSTMENT CLAUSE (LEAC))

DOCKET 02-03



ORDER

In furtherance of the protocol established by Commission Order dated January 29, 1996, Guam Power Authority [GPA] and the Commission's regulatory consultant Georgetown Consulting Group [GCG] have agreed during a duly noticed and convened public hearing, held on September 18, 2002 to the levelized energy adjustment clause [LEAC] factor, which should be applied to civilian customer bills for the period October 1, 2002 through March 31, 2003.

After carefully reviewing the joint position of GPA and GCG, as further discussed in GCG's September 16, 2002 LEAC Report, and after discussion at a duly convened meeting at the Commission's office on September 23, 2002 and for good cause shown, on motion made, seconded and carried, the Commission, by a vote of five Commissioners, **ORDERS THAT:**

A LEAC factor of \$0.0488309 cents per kilowatt hour shall be used for all civilian bills, effective October 1, 2002 through March 31, 2003 to recover GPA's fuel expense for that period. GPA has not requested of the Commission any review or decision on the prudence of an asserted \$5.8 million under-recovery during the LEAC cycle ending September 30, 2002. Any GPA petition regarding this under-recovery shall be pursuant to timeline and protocol established by the Commission's administrative law judge.

Dated this _____ day of September, 2002


Terrence M. Brooks


Joseph M. McDonald


Filomena M. Cantoria

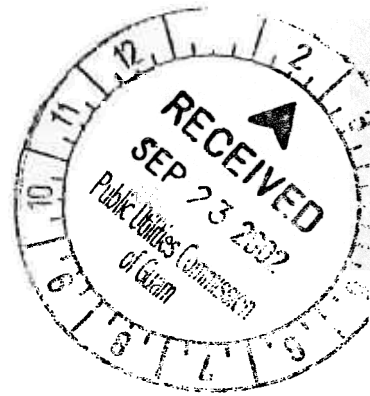

Edward C. Crisostomo


Gerald M. Woo

BEFORE THE PUBLIC UTILITIES COMMISSION
OF GUAM

GUAM POWER AUTHORITY
CABRAS MANAGEMENT)

DOCKET 02-04



ORDER

Upon the recommendation of its administrative law judge, and after due consideration and for good cause shown, the Commission hereby finds and **ORDERS THAT:**

Guam Power Authority's procurement of permanent management consultants (PMC) to manage Cabras baseload plants 1 & 2 and Cabras baseload plants 3 & 4 are subject to Commission review and approval pursuant to 12 GCA 12004 and the Commission's February 25, 2000 Order [contractual review protocol].

2. The Commission's administrative law judge shall oversee: a) the review of these two GPA procurements and b) the presentation of the proposed procurements to the Commission for consideration and regulatory action during the December 2002 regulatory session. At GPA's request and as a special exception to the Commission's February 25, 2000 Order, regulatory consideration of these procurements will occur after their negotiation, but as a condition for their effectiveness. GPA should understand and clearly inform potential contractors that Commission approval of the contracts may be made subject to condition.
3. The Commission cautions GPA regarding its refusal to pay outstanding regulatory fees in this docket and the impasse this nonpayment creates given the Commission's December 17, 1999 Administrative Order [copy attached]. ALJ is directed to continue to work with GPA in attempting to avert the impasse.

Dated this 23rd day of September, 2002.


Terrence M. Brooks


Joseph M. McDonald


Filomena M. Cantoria


Edward C. Crisostomo


Gerald M. Woo

BEFORE THE PUBLIC UTILITIES COMMISSION
OF GUAM

GUAM POWER AUTHORITY
CABRAS 1 & 2 PERFORMANCE
MANAGEMENT CONTRACT
REVIEW

DOCKET 02-04

ORDER



This Order considers proceedings, which were commenced in February 2000 to require Guam Power Authority to retain qualified performance management to efficiently operate its Cabras baseload plants. The Commission has found that GPA's failure to prudently manage these plants has caused tens of millions of dollars in unreasonable fuel expenses, which GPA ratepayers have been required to cover.¹ As GPA is a public utility, the Commission is unable to redirect the economic risk of these unreasonable expenses to shareholders. Accordingly, the Commission concluded that it must be proactive in protecting GPA ratepayers from the risk of unreasonable fuel expenses through the employment of outside management for the Cabras baseload plants.

Proceedings in this docket have been unnecessarily protracted, expensive and complicated by multiple GPA procurement exercises and by GPA's defiance of a stipulated regulatory review process, for which it sought no appropriate relief. Notwithstanding repeated warning,² GPA has unreasonably refused to pay Commission regulatory fees in this docket, which have been incurred since March 2002. Nevertheless, Commission staff, in the interest of GPA ratepayers, has continued to provide uncompensated regulatory service in this docket toward the goal of retaining qualified performance management for the Cabras baseload plants.

Under a regulatory protocol established by the Commission's administrative law judge's [ALJ] letter dated September 25, 2002, GPA filed for regulatory review in early December a performance management contract [PMC] for Cabras plants 1 & 2. At a public hearing held on December 12, 2002, the Commission considered the PMC and the positions of GPA and Georgetown Consulting Group [GCG]. At ALJ's directive, GPA and GCG met in post-hearing conference on December 13, 2002. As a result of that conference, GPA and GCG have by stipulation [*Attachment A*] recommended that the Commission approve the contract subject to condition.

¹ See Commission orders dated February 25, 2000 [Docket 99-12]; November 17, 2000 [Docket 99-12]; March 6, 2001 [Docket 99-12]; December 12, 2001 [Docket 01-01]; and September 23, 2002 [Docket 02-04].

² See ALJ letters dated July 11, 2002, August 23, 2002 and September 25, 2002 and Commission Order dated September 23, 2002 [Docket 02-04].

After carefully considering the record in this docket, the positions of GPA and GCG and after consultation with its ALJ at a special meeting, upon emergency certification, held at noon on December 16, 2002 and for good cause shown, the Commission on motion duly made, seconded and carried by four Commissioners

HEREBY FINDS AND ORDERS THAT:

The PMC, in form filed with the Commission on December 12, 2002, is approved pursuant to 12 GCA 12004, subject to the fulfillment of the following conditions:

- a. The PMC must be amended by GPA and TEMES, in form satisfactory to ALJ by written certification, as follows:
 - 1 GPA shall have the right and TEMES shall have the contractual duty to negotiate in good faith amendments to the key performance indicators applicable to the third year of the PMC. Any such negotiations shall commence not later than 180 days in advance of the commencement of the third year. It is understood that any such amendments may include reasonable adjustments to TEMES' compensation under the PMC.
 2. PMC section 14 shall provide that nothing contained therein shall prohibit TEMES, under either subpoena or voluntary appearance at a Commission public hearing, from testifying and providing documents regarding its performance under the PMC.
 3. PMC section 29.3 shall provide that any material amendment to the agreement shall require the Commission's prior approval. Any issue as to the materiality of an amendment shall be adjudged by ALJ.
- b. GPA must comply with the Commission's December 17, 1999 Administrative Order [*payment of regulatory fees*] by bringing its regulatory account in this docket current through September 2002.
2. Procurements under the PMC shall be subject to the Commission's February 25, 2002 order in Docket 00-04 [*contract review protocol*]. GPA shall not authorize TEMES to proceed with any procurement, which under this Order requires prior Commission review, without first having obtained such regulatory approval. With regard to this subject, the ALJ shall report at the March 2003 regulatory session the status of GPA's compliance with the Commission's February 25, 2002 order, which contains ongoing compliance requirements.


3. ALJ is authorized and directed to conduct regulatory proceedings, which will lead to the proposal of a reporting protocol by which the Commission will be kept appropriately informed of activities and progress under the PMC to normalize the performance of the Cabras baseload plants 1 & 2. This protocol will be submitted for Commission review at the March 2003 regulatory session.

Dated this 16th day of December 2002.


Terrence Brooks

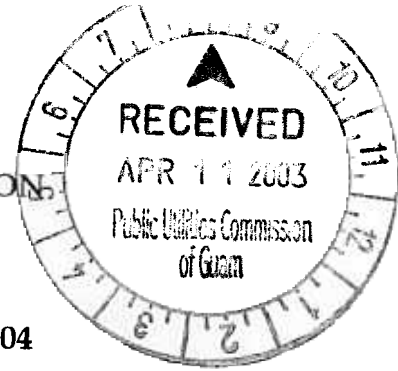

Filomena Cantoria


Edward Crisostomo


Joseph McDonald


Gerald Woo

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



GUAM POWER AUTHORITY
GENERAL REGULATORY DOCKET

DOCKET 94-04

ORDER

By this Order, duly considered at the Commission's April 10, 2003 meeting and by the affirmative vote of at least four Commissioners, the Commission takes action on a number of regulatory matters concerning Guam Power Authority. In advance of considering these matters, the Commission records its appreciation for the spirit of cooperation, which has hallmarked its meetings during the April regulatory session with the Consolidated Commission on Utilities [CCU] and with veteran GPA interim manager John Benavente. This Order addresses the following regulatory subjects:

1. LEAC - April 1, 2003 through September 30, 2003.

GPA has requested that the current LEAC factor [*\$0.0488309 cents per kilowatt hour*] continue in place for the next six-month cycle. GPA has cautioned that it may be compelled to petition the Commission in advance of the next cycle for relief to address its current and potentially growing \$12.3 million LEAC under recovery. GPA tariff schedule Z permits an interim petition when the LEAC recovery balance exceeds \$2 million. GPA understands that in any such proceeding, it will bear the burden of proving that the under recovery constitutes reasonable expenses. During the Commission's April 1, 2003 public hearing on LEAC, GPA confirmed on the record that it will petition the Commission to consider the outstanding under recovery not later than the September proceeding, which will set the LEAC for the next six month cycle.

After discussion, and on motion duly made, seconded and carried, the Commission orders that the current LEAC factor shall remain in place for the next six-month cycle. GPA shall, not later than its next LEAC filing [for the period October 1, 2003 through March 30, 2004], petition the Commission for consideration of its outstanding LEAC under recovery. GPA shall strictly comply with the filing content and deadlines, as set forth in the LEAC protocol in Docket 95-01 dated January 22, 1996.

2. GPA Staffing Study.

On April 1, 2003 the Commission conducted a public hearing to consider Georgetown's staffing study of GPA. The study is mandated by P.L. 26-23 and by the Commission's September 13, 2001 Order. By letter dated March 31, 2003, GPA reported that "it has no substantive objections to the report at this time". After discussion and on motion duly made, seconded and carried, the Commission orders that the study be approved. ALJ is authorized and directed to cause the publication of the study results in accordance with the requirements of P.L. 26-23. For the record, the Commission notes advice from CCU that it intends to pursue legislation, which will relieve GPA and GWA from the staffing study requirements of P.L. 26-23.

3. Cabras PMC Activities.

Mr. Blair's March 11, 2003 letter presents Georgetown's view on the status of GPA compliance with orders and stipulations concerning the procurement of PMC management for Cabras baseload plants 3 and 4. This report finds that procurement efforts are stalled and that the plants are not operational, which causes GPA ratepayers to suffer significantly increased fuel expenses. Georgetown recommends that GPA proceed with the PMC with all deliberate speed and that the excess fuel expenses caused by status of Cabras 3 and 4 be addressed in LEAC proceedings.

GPA, by letter to the Commission dated April 1, 2003 [*the "April 1 letter"*], recognizes the importance of bringing Cabras 3 and 4 on line in peak operational status. GPA requests that the Commission support a GPA action plan, which would focus on: a) resolving outstanding disputes and litigation with HSD regarding the Cabras plants; b) getting the plants repaired and operational on an expedited basis; and c) permitting CCU a reasonable period of time to review the proposed Cabras 3 and 4 PMC RFP before referring it to the Commission for review under the 12 GCA 12004 contract review protocol. GPA has also pledged to bring its regulatory account in Docket 02-04 current not later than May 15, 2003.

After due consideration, and on motion made, seconded and carried, the Commission resolves that it will accept on an interim basis, the action plan proposed in the April 1 letter and will as an *interim* measure put in abeyance its outstanding orders concerning Cabras 3 and 4 PMC. However, the Commission reserves the authority to reinstate the force and effect of these

orders in the event the April 1 action plan is not executed by GPA in an expeditious and effective manner. In this regard, at CCU's request, the Commission has offered to serve as a mediator between GPA and HSD to explore settlement of all outstanding disputes between them. Such a resolution would facilitate the accomplishment of the objectives stated in GPA's April 1, 2003 letter.

4. Procurements.

The Commission has before it several GPA procurements, which require either approval or ratification of interim administrative approval.

a. TECP program.

By letter dated March 10, 2003 GPA has sought Commission approval to extend its existing TECP [*tax exempt commercial paper*] program for an additional two years. Under this program, GPA is provided a \$20 million liquidity facility through KBC bank. The current facility will expire on August 19, 2003. By Commission Order, GPA is required to obtain approval before extending the program's term. By letter dated March 25, 2003, Georgetown supports the GPA request, provided that the documentation, which extends the program be filed with the Commission.

After discussion and on motion made, seconded and carried, the Commission resolves to authorize GPA to extend the TECP program. GPA is ordered and directed to file the extension documentation with the Commission.

b. Ratification of Interim Contract Approvals.

During the period between the December 2002 and the current regulatory sessions, GPA requested expedited Commission action on several procurements and obligations, which require approval under 12 GCA 12004. These procurements include:

i] GPA procurement to remediate the Toto oil spill, pursuant to mandate and deadlines established by Federal EPA. After review and favorable recommendation from Georgetown, GPA was given Commission comfort to proceed with the procurement.

ii] GPA's procurement of residual fuel oil under long term requirements contract. After review of Georgetown comments dated March 11, 2003, GPA was given comfort to proceed with the procurement, subject to the condition that the terms and conditions of any *optional bid* under section 13.01 of the proposed contract be filed with the Commission for review and approval *before* the contract is executed.

iii] By filing dated February 6, 2003, GPA requested Commission approval of a 90 day \$10 million loan from the Bank of Guam to assist with GPA cash flow. Pursuant to authority under Commission resolution dated June 29, 1999 and after consultation with Georgetown and ALJ, Chairman Brooks issued an administrative order approving the proposed loan.

After reviewing these three procurements, the Commission on motion duly made, seconded and carried resolved to approve the procurements and to ratify, without reservation, the earlier actions of Chairman Brooks and ALJ with regard to the procurements.

c. Bill 58 - Revenue Bonds.

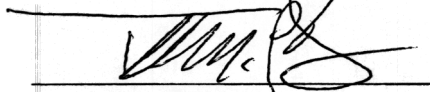


The Guam Legislature is currently considering Bill 58, which would authorize GPA to obtain revenue bond financing. On March 25, 2003, the Commission filed testimony on the bill, which stated that unless explicitly directed in the bill, it would interpret the bill as not requiring PUC review of the proposed financing. In the event Bill 58 is enacted into law with a requirement for PUC review, then it would be appropriate for the Commission to authorize its ALJ to commence an expedited regulatory review of the financing package. After discussion and on motion duly made and carried, the Commission resolved to authorize its ALJ to commence regulatory review of any GPA filing made with the Commission pursuant to the requirements of Bill 58. Final action on any GPA petition shall be made by the full Commission.

5. Amendment of customer deposit interest rate.

By letter dated March 31, 2003, GPA has requested Commission guidance concerning the need for regulatory approval of an amendment to the interest rate, which GPA pays on customer deposits. By letter dated April 1, 2003,

Georgetown supports the GPA proposal to change the interest rate. After review, the Commission finds that its review and approval of the interest rate amendment does not fall with the procedural requirements for rate amendments [see 12 GCA 12015]. Accordingly, after discussion and on motion duly made, seconded and carried, the Commission resolves to approve the GPA request.

Dated this 10th day of April, 2003.


Terrence Brooks
Joseph McDonald
Filomena Cantoria
Ed Crisostomo
Gerald Woo

BEFORE THE PUBLIC UTILITIES COMMISSION
OF GUAM

GUAM POWER AUTHORITY
LEVELIZED ENERGY ADJUSTMENT
CLAUSE [LEAC]

DOCKET 99-12



ORDER

This Order addresses Guam Power Authority's [GPA] August 27, 2003 petition to the Guam Public Utilities Commission [PUC] for the following relief regarding its LEAC:

1. In accordance with the protocol established by PUC Order dated January 29, 1996, as amended by Order dated March 14, 2002, GPA requests that PUC establish a LEAC for the period October 1, 2003 to March 31, 2004, which will represent a 7.7% increase over current LEAC¹, to cover forecasted prudent fuel and related expenses for the period.
2. GPA further requests that PUC award an additional 4.2% increase in the next LEAC over the current LEAC rate to fund the recovery of \$3 million dollars in fuel expenses, which were incurred in prior LEAC periods. By stipulation dated September 17, 2003 [copy made *Attachment A*], GPA and Georgetown Consulting Group [GCG] jointly support these two GPA requests and further propose a process by which GPA could recover the balance of its unrecovered fuel expenses [estimated to be \$10 million dollars].
3. GPA requests that lubrication oil for Cabras baseload units 3 & 4 [the "*lube oil expense*"] be designated as a recoverable expense under the LEAC protocol. By stipulation dated September 17, 2003 [copy made *Attachment B*] GCG supports this request.

On September 17, 2003 PUC conducted a public hearing to consider the GPA petition and the two stipulations, which were submitted by GPA and GCG. In his comments to PUC, Consolidated Commission on Utilities Chairman Simon Sanchez emphasized that PUC's approval of the GPA

¹ The 7.7% and 4.4% increases [in aggregate 11.9%] referred to in paragraphs 1 and 2 of this Order represent the average increase to a residential ratepayer's bill. The amount of increase for other GPA customers would vary.

petition would be a substantial positive step toward enabling GPA to recover an investment grade rating with the financial marketplace.

After carefully reviewing the record in this proceeding at a duly noticed and convened public meeting held on September 24, 2003, for good cause shown and on motion duly made, seconded and carried by the affirmative vote of the undersigned commissioners, the Guam Public Utilities Commission hereby **FINDS AND ORDERS THAT:**

1. A LEAC factor of \$0.062333 per kWh shall be used by GPA for all civilian bills, effective October 1, 2003 through March 31, 2004 to recover its forecasted fuel and related expenses for that period and to recover \$3 million in unrecovered fuel expenses which were incurred in prior LEAC periods.
2. In response to the joint recommendation made in the Attachment B stipulation, PUC approves, on a prospective basis only, lube oil expense as an allowable expense under the LEAC protocol. GCG is authorized and directed, under the oversight of PUC'S administrative law judge [ALJ], to undertake the focused examination described in paragraph 3 of the stipulation and to present its findings at PUC's December 2003 regulatory session.
3. After carefully reviewing the policy considerations, which have been presented by the Attachment A Stipulation [*the "Stipulation"*], PUC finds that the proposed process for empowering GPA to recover its approximate \$10 million dollar fuel under-recovery [*not including the \$3 million funded under order section 1 above*] is just, reasonable and within PUC's discretionary authority to approve. PUC also finds that this process provides meaningful protection to GPA's ratepayers against unreasonable fuel expenses and a meaningful incentive to GPA to efficiently operate its Cabras baseload plants. Accordingly, PUC approves the Stipulation, subject, however, to the following conditions:
 - a. GPA shall, under ALJ's oversight, strictly comply with the terms of the Stipulation, unless modified by this Order. By this reference, the terms of the Stipulation are incorporated into this Order.
 - b. PUC expresses concern that the Stipulation presents only an *estimated* under-recovery amount. ALJ is hereby directed to conduct

administrative proceedings to enable PUC to establish an under recovery sum certain during the December 2003 regulatory session.

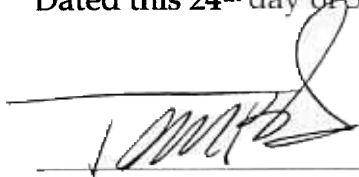
- c. PUC finds that the existing six-month LEAC cycle petition and review process will be an essential regulatory tool during the next eight LEAC cycles to monitor GPA's recovery of its LEAC under recovery and its compliance with the terms of this Order.
- d. On a prospective basis, GPA shall seek regulatory relief in its semi-annual LEAC petition, for any over or under recovery, which has been incurred during the previous LEAC period.
- e. During the March 2004 regulatory session, PUC shall consider the positions of GPA and GCG on the scope, milestones and timeline for GPA to procure the services of a permanent management consultant [PMC] for Cabras baseload units 3 & 4. ALJ shall oversee this process. PUC emphasizes that a material factor in its decision to approve the Stipulation is GPA's commitment to retain a PMC for these units, under terms approved by PUC, not later than October 1, 2004.
- f. During the June 2004 regulatory session, PUC shall consider the positions of GPA and GCG regarding:
 - i] GPA's comprehensive plan for managing its other generating assets. This plan shall be developed under the parameters established in Stipulation Attachment D;
 - ii] A system performance standard, pursuant to Stipulation Attachment E, to determine the amount of deferred fuel, which GPA would be eligible to recover for the LEAC cycle commencing October 1, 2004. PUC reserves decision whether separate standards will be necessary for each LEAC cycle; and
 - iii] Performance standards, as required by Stipulation Attachment F for implementation commencing with the LEAC cycle beginning October 1, 2004.

These matters shall be prepared for PUC consideration by GPA and

GCG under ALJ's oversight and under a timetable established by him, without necessary restriction to the dates proposed in the Stipulation.

- g. PUC makes no commitment with regard to the matter addressed in paragraph 7 of the Stipulation. ALJ shall oversee an administrative process which will lead to a GPA - GCG presentation on this matter during the September 2004 regulatory session.
- 4. PUC's decision to approve the stipulated process, under which GPA will be empowered to recover its LEAC shortfall without establishing by clear and convincing evidence that it is comprised only of prudently incurred fuel expenses, is made strictly contingent upon GPA's faithful compliance with the duties imposed upon it by this Order. PUC reserves the right, upon finding after hearing, that GPA has materially breached any of its duties under this Order to terminate any and all regulatory relief provided herein and to take such other regulatory action as may be deemed necessary and appropriate.

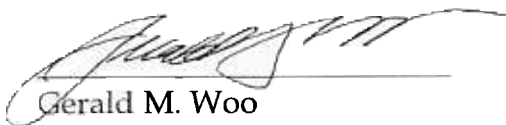
Dated this 24th day of September 2003.



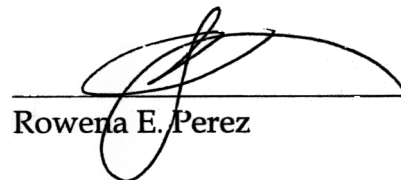
Terrence M. Brooks



Edward C. Crisostomo



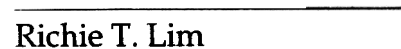
Gerald M. Woo



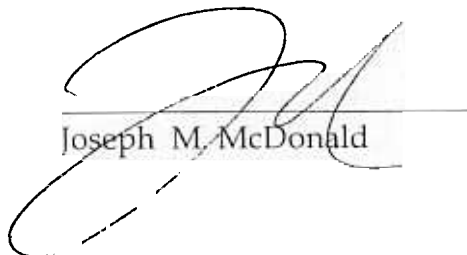
Rowena E. Perez



Filomena M. Cantoria



Richie T. Lim



Joseph M. McDonald

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

GUAM POWER AUTHORITY
REGULATORY MATTERS

DOCKET 94-04



Administrative Order

By letter petition dated October 31, 2003, Guam Power Authority [GPA] has requested expedited review and approval by the Guam Public Utilities Commission [PUC] of its request to enter into a \$4.6 million dollar letter of credit facility [LOC] and to secure this facility for a period of twelve months with restricted excess bond funds. Pursuant to the requirements of 12 GCA 12004 and PUC's February 25, 2000 Contract Review Protocol Order [section 1(d)], GPA is required to obtain PUC approval of both the LOC and of its use of the excess bond funds to secure the LOC.


GPA is mandated under its September 1996 Energy Conversion Agreement with Marianas Energy Corporation [MEC] to provide a standby LOC in the event its bond rating falls below investment grade. On July 17, 2003, MEC triggered this GPA contractual duty upon Standard and Poor's downgrading of GPA. GPA must establish the LOC not later than November 15, 2003. In support of its letter petition, GPA has provided PUC with: a] confirmation of the Standard and Poor's downgrade; b] MEC's July 17, 2003 LOC demand; c] confirmation of approximately \$4.7 million in restricted excess bond fund accounts; d] certification that the restricted funds will not be necessary to fund capital improvements for the next 12 months; and e] comfort from GPA counsel that use of the restricted funds as security for the LOC will not violate GPA bond covenants.

After carefully reviewing the GPA petition and after undertaking a diligent effort to confer with other on-island PUC commissioners regarding the GPA petition, the undersigned pursuant to the authority vested in him by PUC's April 11, 2003 Administrative Resolution [Resolution] hereby **FINDS AND ORDERS THAT:**

- 1 GPA has established reasonable grounds for expedited PUC action on its petition and has shown good cause why it should be granted.
2. In accordance with the requirements of the Resolution, GPA has waived the final determination exception regarding these regulated transactions.

3. GPA's petition for approval of the LOC is hereby approved. GPA is further authorized to use its excess bond fund deposits as security for the LOC only until November 15, 2004, unless said deadline is extended by subsequent PUC order.
4. GPA shall with PUC file a copy of the transaction documents, which establish the LOC and which utilize the excess bond funds as security.

Dated this 5th day of November, 2003.

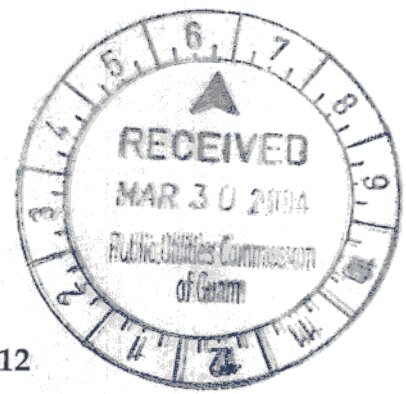


Terrence Brooks, Chairman

BEFORE THE PUBLIC UTILITIES COMMISSION
OF GUAM

GUAM POWER AUTHORITY
LEVELIZED ENERGY ADJUSTMENT
CLAUSE [LEAC]

DOCKET 99-12



ORDER

In furtherance of the protocol established by the Guam Public Utilities Commission's [PUC] Order dated January 29, 1996, as amended by Order dated March 14, 2002, Guam Power Authority [GPA] and PUC's regulatory consultant [Georgetown Consulting Group (GCG)] jointly recommended at a duly noticed and convened March 15, 2004 public hearing the levelized energy adjustment clause [LEAC] factor, which should be applied to civilian customer bills for the period April 1, 2004 to September 30, 2004. PUC has also carefully reviewed GPA's February 2004 LEAC filing and GCG's March 10, 2004 report, which examines GPA's request for a change in the LEAC.

After discussion at a duly convened meeting at PUC's office on March 30, 2004 and for good cause shown, on motion made, seconded and carried by the affirmative vote of the undersigned commissioners, PUC hereby **ORDERS THAT:**

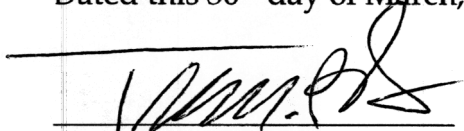
1. A LEAC factor of \$0.059753 per kWh shall be used for all civilian bills, effective April 1, 2004 through September 30, 2004 to cover forecasted prudent fuel and related expenses for the period. This represents a 2% reduction in the current LEAC rate and will reduce the average residential monthly bill [*consumption rate of 1000 kWh*] by about \$2.58.
2. Built into the current LEAC rate, which was established by PUC Order dated September 24, 2003 [*September Order*], is a funding mechanism to enable GPA, during the upcoming LEAC cycle, to recover \$3 million in deferred fuel expenses, which were incurred in prior LEAC periods.
3. Pursuant to the requirements of the September Order, GPA has been directed to develop with GCG, under oversight of PUC's administrative law judge [ALJ], the following documents in preparation for PUC's September 2004 LEAC hearing:

- a. A proposed comprehensive plan for GPA's management of its generating assets *[see September Order Attachment D]*.
- b. Performance standards, which will be used by PUC commencing October 1, 2004 to determine the prudence of incurred fuel costs *[see September Order Attachment F]*.
- c. System performance standards, which will be used by PUC commencing October 1, 2004 to determine GPA's entitlement to recovery of the balance of its deferred fuel expenses *[see September Order Attachment E]*.

ALJ is directed to oversee regulatory activities, which will lead to PUC's consideration of these matters during the September 2004 regulatory session.


4. GPA's next LEAC filing shall be made on or before August 15, 2004 in accordance with the minimum requirements identified in GCG's March 10, 2004 report.

Dated this 30th day of March, 2004


Terrence M. Brooks



Edward C. Crisostomo


Gerald M. Wee


Rowena E. Perez


12


Richie T. Lim


Filomena M. Cantoria

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF GUAM**

**GUAM POWER AUTHORITY
REGULATORY DOCKET -
CONTRACT REVIEW**

DOCKET 94-004



ORDER

In its November 28, 2003 report on Guam Power Authority's [GPA] informational filings with the Guam Public Utilities Commission [PUC], Georgetown Consulting Group [GCG] expressed concern regarding a disclosure in GPA's FY02 External Audit that in September 2000 bond reserve fund forward delivery agreements [Agreements] were entered into on GPA's behalf by Governor Gutierrez¹. Under the terms of the Agreements, GPA liquidated, at discount, a long-term interest revenue stream on certain bond proceeds for the payment of \$13.5 million dollars. There was no public notice or disclosure of the transaction. In the transaction, GPA incurred termination fees of \$3.35 million and closing costs of \$1.25 million. GCG recommended that PUC examine whether the transaction required PUC approval pursuant to 12 GCA 12004 and PUC's contract review protocol and further the consequences of GPA's failure to have obtained such PUC approval.

On January 5, 2004, PUC's administrative law judge [ALJ], found that the transaction raised substantial regulatory issues. GPA has conceded that it never sought or obtained PUC approval of the Agreements. GCG was directed by ALJ to investigate the transaction and to report to PUC in preparation for the March 2004 regulatory session. A copy of GCG's February 11, 2004 report is made *Attachment A*. The GCG report concludes that:

1. The transaction contained in the Agreements, by which GPA cashed in a long term revenue stream of interest on its bond reserves, constituted a borrowing which required prior PUC review under paragraph 1(d) of PUC's contract review protocol².

¹ Two agreements were entered into by GPA and its co-trustee U.S. Bank Trust National Association on September 28, 2000: one with Lehman Brothers Special Financing Inc. and one with Bank America N.A.

² The PUC contract review protocol in effect at the time of the transaction is contained in PUC Order dated February 25, 2000 in Docket 00-04.

2. The termination fees of \$3.35 million and closing costs of \$1.25 million, which GPA incurred in the transaction exceed the \$1.5 million review threshold for PUC's contract review. Accordingly, GPA required prior PUC approval before it could lawfully incur these transaction fees.
3. The \$700,790 broker's fee, which was paid to IMAGE in the transaction, is substantially greater than the \$227,800 fee it was paid in an earlier similar transaction and may deserve further investigation as to its reasonableness.
4. This transaction was entered into on GPA's behalf, by the Governor of Guam, under an assertion of organic authority, in the absence of a quorum of the GPA board of directors. There is a substantial question whether the transaction would have sustained regulatory scrutiny. GPA and Governor Gutierrez, with the aid of an ill advised Attorney General's opinion, sidestepped independent public scrutiny that PUC would have brought to bear under its contract review authority.
5. GPA's failure to have obtained prior PUC approval of the transaction in accordance with 12 GCA 12004, makes it voidable³. GCG, nevertheless, recommends that the transaction be ratified for the benefit of third parties.
6. PUC's contract review protocol should be amended to explicitly bring such transactions under PUC's contract review protocol and to put third parties on notice that they deal with regulated utilities at their own peril if required regulatory approval is not obtained.

In comments filed on March 5 and 9, 2004, GPA asserts that the Agreement did not require PUC approval, but nevertheless requests that PUC ratify the Agreement "*so that any questions as to the lawfulness of the Agreement are resolved*". A copy of the GPA comments are made *Attachment C*. GPA and GCG have agreed to submit this matter to PUC on the record and without need for public hearing.

³ By opinion dated December 16, 1998 [*Attachment B*] GCG's counsel opined on the consequences of a regulated utility's failure to comply with the requirements of section 12004.

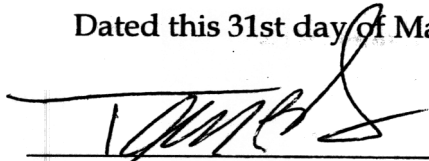
After careful review of the attachments hereto, after consultation with its administrative law judge and for good cause shown, the Guam Public Utilities Commission on motion duly made, seconded and carried by the affirmative vote of the undersigned commissioners hereby **FINDS AND ORDERS THAT:**

1. The transaction and the Agreements required prior PUC review and approval under 12 GCA 12004 and under PUC's contract review protocol. The transaction constituted a borrowing, which required PUC approval under section 1(d) of the protocol. Moreover, the \$4.6 million termination expenses, which GPA incurred required PUC approval under section 1(e) of the protocol. GPA's failure to have obtained this approval makes the transaction and the Agreements voidable. GPA's inability in its recent March 2004 filings with PUC to understand the clear need for regulatory review and approval of the transaction is troubling.
2. PUC shall reserve its decision of whether to ratify the Agreements and the transaction until the July 2004 regulatory session. In the interim, PUC's administrative law judge is directed to obtain further comment from GPA and GCG regarding: a. the potential negative consequences which could flow from PUC's refusal to ratify the Agreements and the transaction; and b. the impact of PUC's ratification of the Agreements and the transaction on potential civil and criminal liability, if any, of persons involved therein.
3. A copy of this Order shall be transmitted to the Attorney General of Guam and to the Public Auditor for such investigation as they may deem appropriate regarding the broker's fee, which was paid to IMAGE in the transaction.
4. A copy of this Order shall be transmitted to the Guam Legislature and to the Governor of Guam for such consideration as they may deem appropriate regarding the organic issues raised by Governor Gutierrez's assertion of executive authority in the absence of a quorum of the GPA board of directors and further regarding the need for statutory guidelines to govern future transactions of this kind by Guam public corporations and by the government of Guam.
5. Paragraph 1(d) of the contract review protocol dated December 16, 2003, which now governs PUC regulation of GPA contracts and obligations is hereby amended to read:

d) All externally funded loan obligations and other financial obligations such as lines of credit, bonds, and bond reserve fund forward delivery agreements [such as discussed in PUC's March 30, 2004 Order in Docket 94-03], in excess of \$1,500,000 and any use of the proceeds of such obligations and transactions;

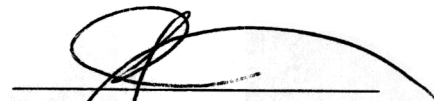
6. A copy of its Order shall be transmitted to the Consolidated Commission on Utilities with the recommendation that it institute governing controls to assure that both GPA and GWA strictly comply with the requirement of contract regulatory review, as contained in the protocols established by PUC.

Dated this 31st day of March 2004.


Terrence M. Brooks



Edward C. Crisostomo


Gerald M. Woo

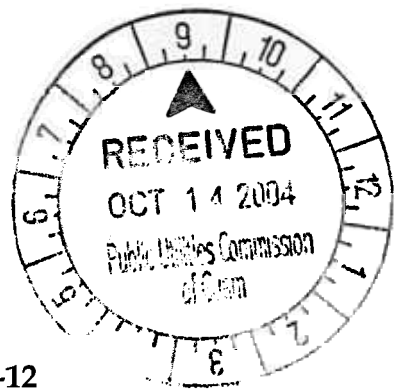

Rowena E. Perez


Joseph M. McDonald


Richie T. Lim


Filomena M. Cantoria

BEFORE THE PUBLIC UTILITIES COMMISSION
OF GUAM



GUAM POWER AUTHORITY
LEVELIZED ENERGY ADJUSTMENT
CLAUSE [LEAC]

DOCKET 99-12

ORDER

Regulatory Matters Under Consideration

This Order addresses regulatory matters related to Guam Power Authority's [GPA] August 19, 2004 petition for relief under Guam Public Utilities Commission's [PUC] LEAC protocol:

1. LEAC Factor [10/1/04 - 3/31/05].

In accordance with the protocol established by PUC Order dated January 29, 1996, as amended by Order dated March 14, 2002, GPA requests that PUC leave the current LEAC factor in place, without change, for the period October 1, 2004 to March 31, 2005. Included in the current LEAC factor [\$0.059753 per kWh] is a funding mechanism, which enabled GPA, during the LEAC cycle ending September 30, 2004 to recover \$3 million dollars in deferred fuel expenses. Pursuant to PUC's September 24, 2003 Order, this revenue stream will be reduced in the upcoming LEAC cycle to permit GPA to recover no more than \$1 million in deferred fuel expenses. *Accordingly, the current LEAC factor will recover during the upcoming cycle \$2 million dollars more than is needed to cover projected fuel and related expenses during the cycle.* Nevertheless, GPA and Georgetown agree that it would be imprudent to lower the LEAC factor for two reasons: a) GPA's fuel hedging contract will expire on December 31, 2004, thereby putting GPA at risk to pay the market price for fuel. Under the hedging contract, GPA was protected from fuel prices in excess of \$23.71 per barrel for number six oil. b) Fuel prices are currently over \$50 per barrel for crude oil. The \$2 million dollar reserve would provide GPA some protection from the significant increase in the cost of fuel, which GPA will experience when its current hedging contract expires.

2. GPA Generation Performance Standards.

PUC's September 2003 LEAC Order directed GPA and Georgetown Consulting Group [PUC's independent regulatory consultant - GCG] to develop the following documents in preparation for PUC's October 2004 LEAC hearing:

- a. A comprehensive plan for GPA's management of its generating assets.
- b. Performance standards, which would be used by PUC commencing October 1, 2004 to determine the prudence of incurred fuel costs.
- c. A system performance standard, which would be used by PUC commencing October 1, 2004 to determine GPA's entitlement to recover the balance of its deferred fuel expenses [\$5.3 million].

GPA and GCG have requested that PUC's consideration of these documents, including the standard, which will be used to determine GPA's entitlement to recovery of deferred fuel expenses in the current LEAC cycle, be deferred until the January 2005 regulatory session. In its September 21, 2004 LEAC report, GCG finds that GPA has made significant progress in the development of these three work products.

3. *Cabras 3&4 Baseload Plants PMC.*

GPA has requested an extension of the October 1, 2004 deadline, which was established by PUC Order dated September 24, 2003 for GPA to bring the Cabras 3 & 4 baseload plants under private management. GPA requests that the deadline be extended to December 1, 2004. GPA has encountered complexities in the procurement process, which have extended the time necessary to award the contract.

4. *GPA Line Losses.*

In its September 21, 2004 LEAC report [at page 7], GCG finds that there has been a disturbing increase in GPA line losses over the past three years. A 3% reduction in these losses (*assuming equal reduced production from each unit*) would result in reduced fuel costs of over \$3 million dollars per year. GCG recommends that GPA be ordered to file with PUC a plan of action to reduce these line losses and quarterly reporting on its progress.

5. *Cabras 3&4 Lubrication Oil.*

In its September 2003 LEAC Order, PUC authorized GPA to recover lubrication oil, which is consumed in the Cabras baseload units 3 and 4 combustion process [*lube oil*] as an allowable expense under the LEAC protocol. This ruling was supported by a GPA/Georgetown stipulation dated September 17, 2003. Thereafter, GCG requested and was granted relief from the stipulation, which

caused the need for an evidentiary hearing on the allowability of the expense. During its October 1, 2004 LEAC hearing, PUC received evidence and argument from GPA *[in support]* and GCG *[in opposition]* to the continued recovery of lube oil as an allowable expense under the LEAC protocol.

Determinations

At a duly noticed and convened public meeting held at 6:00 p.m. on October 14, 2004, PUC having considered the above regulatory matters and after discussion, consideration of the evidentiary record and (except as noted in paragraph 5 below) by the affirmative vote of at least four commissioners and for good cause shown hereby finds that:

- 1 The current volatility in the worldwide fuel market and GPA's impending loss of its fuel hedging contract justify leaving the current LEAC factor in place for the next LEAC cycle *[October 1, 2004 – March 31, 2005]*. The actual revenues and expenses during the cycle will be examined and appropriate adjustments will be made in accordance with the LEAC protocol at the next LEAC hearing *[March 2005]*.
2. Reasonable grounds have been presented for postponing PUC's consideration of GPA's generation management plan, the system performance standard and the deferred fuel recovery standard until the January 2005 regulatory session. PUC should defer any consideration of an incentive mechanism until further notice.
3. Reasonable grounds have been presented for granting GPA's request for an extension of the deadline for engaging a private manager for the Cabras 3&4 baseload plants until December 1 2004.
4. GPA should be directed to file with PUC not later than December 1, 2004 an action plan to reduce its line losses and to file quarterly reports on its progress.
- 5 GPA has provided persuasive evidence that lube oil should continue as an allowable expense under the LEAC protocol. In reaching this determination, PUC finds that:
 - a. James Guest from FERC is of the opinion that it would not be unreasonable to include the cost of lube oil under FERC account 501 *[fuel]*.
 - b. Lube oil is burned in the combustion process and serves to lubricate the piston rings and liner during this process. It also

possesses anti-wear characteristics, dispersants and detergents to ensure minimum deposits on the piston and ring grooves. It has a BTU coefficient similar to that of the fuel oil used in the generators.

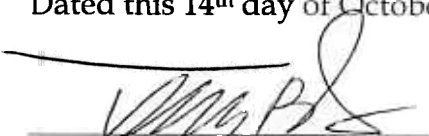
- c. The Wisconsin Public Service Commission has adopted regulations, which permit within the definition of "fuel" "any type of material converted to electric energy".
- d. Georgetown concedes that whether to permit GPA to recover lube oil under the LEAC protocol is a matter within the Commission's discretion.
- e. GPA has made the business decision to pursue the recovery of the lube oil expense under LEAC [*approximately \$1.2 million per year*] and to focus on increased productivity from its generation plants *in lieu of* seeking a general rate increase. GPA presently has a coverage ratio of about 1.5x. PUC has established a 1.75x coverage ratio as the benchmark for ratemaking. Rate revenues would need to be increased by about \$6.8 million dollars in order to increase GPA's coverage ratio by 25 basis points. Accordingly, GPA's ratepayers are benefited by GPA's business decision.
- f. Levelized fuel adjustment clauses [LEAC] are an exception to traditional regulation. Normally, a utility is prohibited from charging any rate other than the last rate approved by the Commission in a base rate case. Commission approval of the use of LEAC permits GPA to make adjustments in its charges to customers without the level of scrutiny and public notice applied in base rate proceedings. Accordingly, PUC should carefully examine any cost which GPA seeks to fund under LEAC.
(Commissioner Lim did not support determination number 5).


NOW, THEREFORE, after carefully reviewing the record in this proceeding, including the above determinations, and after discussion at a duly noticed public meeting held on October 14, 2004, for good cause shown and on motion duly made, seconded and carried by the affirmative vote of the undersigned commissioners, the Guam Public Utilities Commission hereby **ORDERS THAT**:

1. A LEAC factor of \$0.059753 per kWh shall be used by GPA for all civilian bills, effective October 1, 2004 through March 31, 2005 to recover its forecasted fuel and related expenses for that period.

2. PUC reaffirms its September 24, 2003 ruling that lube oil is an allowable expense under the LEAC protocol. (Commissioner Lim voted against this order provision).
3. Under ALJ's oversight, GPA and GCG shall work toward a consensus on the GPA comprehensive generation management plan and on the two performance standards discussed earlier in this Order. These matters will be brought before PUC for consideration during the January 2005 regulatory session. As part of its review of the system performance standard, which will be used to determine GPA's entitlement to recover the \$5.3 +/- balance of its deferred fuel expenses, PUC will determine what, if any, recovery GPA shall be entitled to in the current LEAC cycle. Any PUC consideration of an incentive mechanism is deferred until further notice.
4. The deadline by which GPA shall engage a private manager for the Cabras 3 & 4 baseload plants is extended to December 1, 2004.
5. On or before December 1, 2004, GPA shall file an action plan to reduce its line losses to FY01 levels. Until further notice, GPA shall file quarterly reports with PUC on its progress in reducing these losses.


Dated this 14th day of October 2004.



Terrence M. Brooks

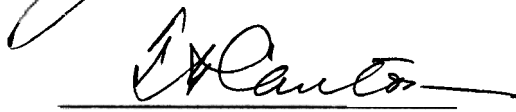

Edward C. Crisostomo


Gerald M. Woo


Rowena E. Perez


Joseph M. McDonald


Richie T. Lim


Filomena M. Cantoria

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

APPLICATION OF GUAM POWER
AUTHORITY TO ISSUE
COMMERCIAL PAPER NOTES

DOCKET 94-04



Resolution

Whereas, on September 28, 2004 Guam Power Authority [GPA] petitioned the Commission for authorization to convert its tax-exempt commercial paper program into a taxable commercial paper program to fund short-term cash requirements. This transaction requires prior Commission approval under 12 GCA 12004.

Whereas, the Commission has review a proposed Order [copy enclosed], which was drafted by GPA's bond counsel and by which the Commission would approve the transaction.

Whereas, the proposed transaction has been examined by the Commission's independent regulatory consultant [Georgetown Consulting Group - GCG], whose counsel, by letter dated October 13, 2004 [copy enclosed], has recommended that regulatory approval be conditioned on: a] the deletion of a penalty provision in the Credit Agreement, which counsel asserts is unlawful; and b] the addition of language in the Credit Agreement to address withholding risks in the event a foreign lender becomes a participant in the facility. GPA's counsel has also raised substantive concerns with certain terms as The Credit Agreement, which are set forth in his October 14, 2004 email (copy enclosed).

Whereas, the Commission concludes that there has been insufficient time for GCG to confer with GPA and its bond counsel regarding these concerns.

Whereas, the Commission desires to act on GPA's petition at the earliest possible date.

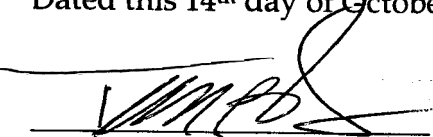
Now, therefore, after due deliberation and on motion duly made, seconded and carried by the vote of the undersigned commissioners, the Commission **HEREBY RESOLVES THAT:**

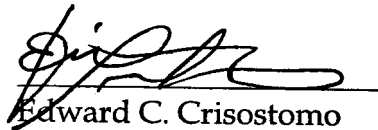
- 1 The Commission shall execute *but not date* the Order. The Commission's administrative law judge [ALJ] is authorized and empowered to date, stamp and release the Order, when:

- a. The transaction documents, as referenced in the Order as exhibits, are filed with the Commission in execution form;
- b. GCG's and GPA's counsel's concerns, as described above, are resolved to ALJ's reasonable satisfaction; and
- c. GCG provides comfort that the transaction documents, in execution form, are not materially different [except amendments made to address GCG's concerns] from those referenced in its counsel's October 13, 2004 opinion letter.

2. The Order shall be effective on the date of its release by ALJ.

Dated this 14th day of October 2004.

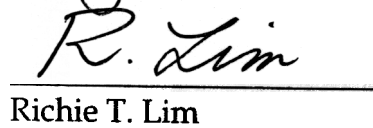

Terrence M. Brooks


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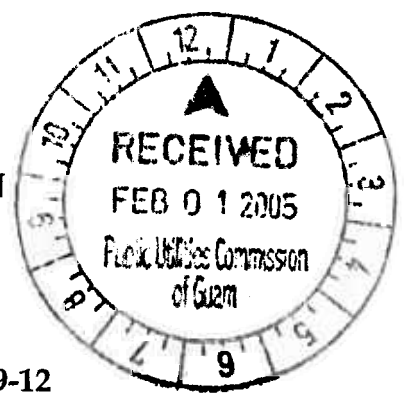

Richie T. Lim


Filomena M. Cantoria

BEFORE THE PUBLIC UTILITIES COMMISSION
OF GUAM

GUAM POWER AUTHORITY
LEVELIZED ENERGY ADJUSTMENT
CLAUSE [LEAC]

DOCKET 99-12



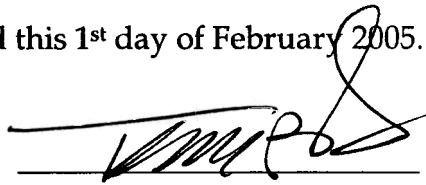
ADMINISTRATIVE ORDER

After due consideration, PUC finds that:

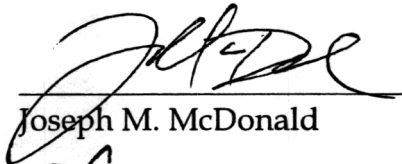
- 1 PUC establishes a semi-annual LEAC Factor for a fixed six-month period.
- 2 There may be circumstances in which PUC does not establish a new LEAC Factor for a period of days after the technical end date of an existing LEAC Factor.
- 3 As a housekeeping action, it is appropriate for PUC to clarify its intent that a semi-annual LEAC Factor shall continue in full force and effect until a new LEAC Factor is established by PUC.
- 4 The purpose of this housekeeping order is to assure that GPA's revenue stream to cover fuel and related expenses under LEAC continues uninterrupted, notwithstanding the fact that PUC may establish a new LEAC Factor some days after the technical end date of an existing LEAC Factor.

NOW, THEREFORE, in consideration of the above findings and after discussion and on motion made, seconded and carried by the affirmative vote of the undersigned Commissioners, **IT IS HEREBY ORDERED THAT** a semi-annual LEAC Factor, which PUC establishes in this Docket, shall remain in full force and effect beyond its technical end date until a new LEAC Factor is established by PUC.

Dated this 1st day of February 2005.



Terrence M. Brooks

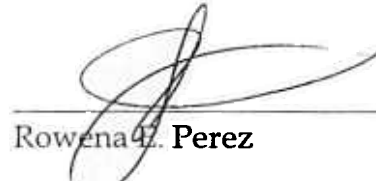


Joseph M. McDonald



Edward C. Crisostomo

Filomena M. Cantoria



Rowena E. Perez



Richie T. Lim

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF GUAM**

**GUAM POWER AUTHORITY
LEVELIZED ENERGY ADJUSTMENT
CLAUSE [LEAC]**

DOCKET 02-04

ORDER

In accordance with the protocol established by Guam Public Utilities Commission [PUC] Order dated January 29 1996, as amended by Order dated March 14, 2002, Guam Power Authority [GPA] petitioned PUC on March 18, 2005 that the current LEAC factor [\$0.059753], which PUC established for the period October 1, 2004 until a new factor is established in April 2005, be increased to \$0.0730096 per kWh for meters read on and after April 22, 2005 and continuing through September 30, 2005. GPA seeks no recovery of deferred fuel expenses in its petition. The GPA request represents an increase in the average residential power bill of about 11%. The request is driven by rising fuel costs.

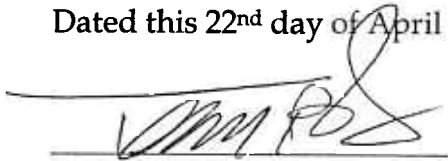
On April 8, 2005 PUC conducted a duly noticed public hearing to consider GPA's petition, an April 1, 2005 report from regulatory consultant, Georgetown Consulting Group (GCG), and a stipulation between GPA and GCG dated March 31, 2005 [*copy made Attachment A*]. The Stipulation proposes: a) a process under which GPA could recover its \$7 million dollar deferred fuel expense balance; b) a standard to determine the reasonableness of incurred fuel expenses; and c) semi-annual reporting requirements. PUC also received a briefing from GPA on: a) the process recommended in the Stipulation for enabling GPA to recover its deferred fuel expenses and b) performance standards; and c) GPA's oil hedging program.

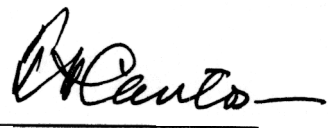
After carefully reviewing the record in this proceeding and after discussion at a duly noticed public meeting held on April 22, 2005, for good cause shown and on motion duly made, seconded and carried by the affirmative vote of the undersigned commissioners, the Guam Public Utilities Commission hereby **ORDERS THAT:**

1. A LEAC factor of \$0.0730096 per kWh shall be used by GPA for all civilian bills, for meters read on and after April 22, 2005 and through September 30, 2005 to recover its forecasted fuel and related expenses for that period.


2. The GPA - GCG Stipulation dated March 31, 2005 [Attachment A] is hereby approved. GPA is ordered to comply with its terms.
3. GPA is reminded of its duty under PUC Order dated October 14, 2004 to file quarterly reports regarding its plan and efforts to reduce line losses.
4. GPA's petition for the establishment of the next LEAC factor [October 1, 2005 through March 30, 2006] shall be filed with PUC not later than August 15, 2005.

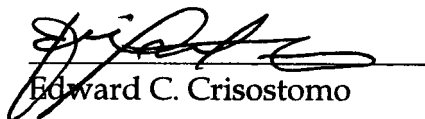
Dated this 22nd day of April 2005.

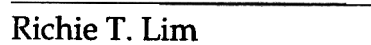

Terrence M. Brooks


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Joseph McDonald


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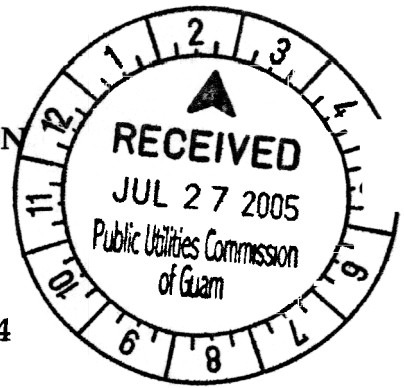

Edward C. Crisostomo


Richie T. Lim

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

GUAM POWER AUTHORITY
LEVELIZED ENERGY ADJUSTMENT
CLAUSE [LEAC]

DOCKET 02-04



INTERIM ADJUSTMENT ORDER

Under the levelized energy adjustment charge [LEAC] protocol, as established by Guam Public Utilities Commission [PUC] Order dated January 29, 1996, as amended by Order dated March 14, 2002, Guam Power Authority [GPA] has petitioned for an interim cycle adjustment to the LEAC factor, which PUC established by its April 22, 2005 Order for the period April 22, 2005 through September 30, 2005. Under the LEAC protocol, GPA is authorized to request an adjustment in its LEAC factor in the event that its projected under-recovery of fuel expenses will be greater than \$2 million dollars during the current six month LEAC period.

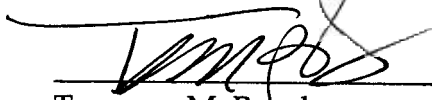
PUC's regulatory consultant [Georgetown Consulting Group] has examined GPA's July 22, 2005 petition for interim relief and has joined in a July 25, 2005 stipulation [Attachment A], which supports the GPA petition. The parties recommend that effective for meters read on and after August 1, 2005, the LEAC factor be increased from \$0.073009 per kWh to \$0.088918 per kWh to recover the projected \$3.845 million shortfall, which GPA will incur under the current LEAC factor due to increased fuel costs. This LEAC factor increase will result in an overall increase on the average residential bill of about 11.5%.

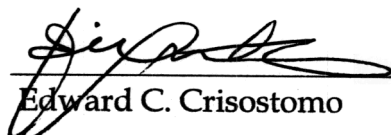
PUC finds that GPA is currently exceeding the efficiency and production benchmarks which PUC has established for GPA's generating plants. Accordingly, after careful review and consideration of the GPA petition, the stipulation and of a GPA briefing which was made at PUC's July 28, 2005 meeting, for good cause shown, and on motion duly made, seconded and carried by the undersigned commissioners, the Guam Public Utilities Commission **HEREBY ORDERS THAT:**

- 1 A LEAC factor of \$0.088918 per kWh shall be used by GPA for all civilian bills, for meters read on and after August 1, 2005 to recover its forecasted fuel and related expenses.

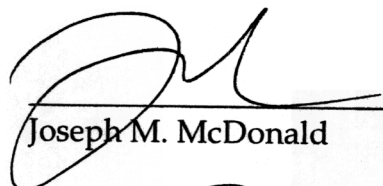
2. On or before August 15, 2005 GPA shall file a complete LEAC petition for the LEAC factor to be established for the period October 1, 2005 through March 31, 2006.

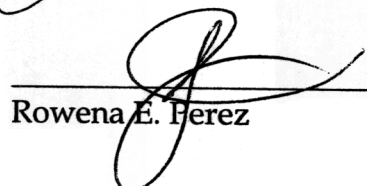
Dated this 27th day of July 2005.


Terrence M. Brooks


Edward C. Crisostomo

Richie T. Lim


Joseph M. McDonald


Rowena E. Perez