GEORGETOWN CONSULTING GROUP, INC.
716 DANBURY RD.
RIDGEFIELD, CT. 06877

Jamshed K. Madan
Michael D. Dirmeier

Edward R. Margerison
Jean Dorrell

Telephone (203) 431-0231
Facsimile (203) 438-8420
emargerison@snet.net

July 23, 2012

Jeff Johnson, Chairman
Guam Public Utilities Commission
Suite 207, GCIC Building
Hagatna, Guam 96932

Re: GPA Docket 12-06 Request for LEAC Factors Effective August 1, 2012

Dear Chairman Johnson:

This report is in response to Guam Power Authority's ("GPA") request for changes in its Levelized Energy Adjustment Clause ("LEAC") factors for the six-month period commencing August 1, 2012.

By its June 15, 2012 petition GPA requests that the Public Utilities Commission ("PUC" or "Commission") consider two possible scenarios to determine the appropriate LEAC factor to implement on the effective date of August 1, 2012. GPA has offered an option to the PUC regarding collection of its projected deferred fuel balance of about $4.8 million over a period of either six months or twelve months. GPA has calculated factors under both options. Under the established LEAC protocol (collection of the deferred fuel balance over the six-month period of the LEAC factor), GPA is requesting that the current secondary distribution level factor of $0.192310 per kWh be decreased to $0.190263 per kWh. This small change represents a decrease of about 3/4% of a typical residential bill ($2.05 per month) or about 1% on the fuel portion of that bill. Extending the recovery period for deferred fuel to twelve months will decrease the customers' monthly bills slightly more. Table 1 shows the details of the two proposals made by GPA.

In addition to the proposed reduction to the LEAC factors, GPA is also proposing a small decrease in the Working Capital Fund ("WCF") surcharge due to the decrease in the price of oil from the price that was estimated during Phase I of the recent rate case (Docket 11-09). The previously established initial surcharge of $0.00466 per kWh took effect on April 1, 2012 and was increased on May 1, 2012 (after PUC approval) to $0.0078 per kWh to reflect rising costs of fuel. GPA proposes a revised WCF surcharge of $0.00761 per kWh to become effective August 1, 2012, coincident with the decrease in the LEAC factors. There is also a corresponding decrease in the

current Navy charge for the WCF. A complete discussion of GPA's proposal and our recommendation is contained in a later portion of this report.

The following table summarizes the variables used in GPA's filing to derive its alternative proposed factors effective August 1, 2012 and compares the GPA alternatives to the Georgetown Consulting Group ("GCG") recommendation:

Table 1
Derivations of the LEAC factors

	GPA		GCG
	Full Recovery ($000s)	Partial Recovery ($000s)	Full Recovery ($000s)
Number 6 (HSFO/LSFO)	$ 132,400	$ 132,400	$ 130,660
Number 2 (GPA)	12,163	12,163	12,006
TOTAL COST	$ 144,562	$ 144,562	$ 142,666
Handling Costs	1,580	1,580	730
Total Current Fuel Expense	$ 146,142	$ 146,142	$ 143,396
Civilian Allocation	77.84%	77.84%	77.84%
LEAC Current Fuel Expense	$ 113,761	$ 113,761	$ 111,624
Deferred Fuel Expense	4,864	2,432	4,864
Total LEAC Expense	$ 118,625	$ 116,193	$ 116,488
Less: Trans. Level Costs	(5,715)	(5,598)	(5,612)
Distribution Level Costs	$ 112,910	$ 110,595	$ 110,876
Distribution Level Sales (mWh)	593,443	593,443	593,443
Proposed LEAC Factor (/kWh)	**0.190263**	**0.186362**	**0.186834**
Current LEAC Factor(/kWh)	0.192310	0.192310	0.192310
Increase/(Decrease) (/kWh)	(0.002047)	(0.005948)	(0.005476)
Monthly Decrease - 1000 kWh	$ (2.05)	$ (5.95)	$ (5.48)
Total LEAC Expense	$ 118,625	$ 116,193	$ 116,488
Total Sales (mWh)	624,617	624,617	624,617
LEAC W/O Discounts[1]	0.189917	0.186024	0.186495
Primary Service Discount (3%)	**0.184220**	**0.180443**	**0.180900**
Subtransmission Discount (4%)	**0.182320**	**0.178583**	**0.179035**
Transmission Discount (5%)	**0.180421**	**0.176722**	**0.177170**

We have provided a complete workbook deriving the GCG-proposed factors to GPA management and have attached hereto Exhibit A[1] which shows the details of our calculations.

[1] Is the LEAC rate proposed to be charged the majority of GPA's customers who receive service at a secondary voltage level.

Cost of Number 6 Oil

In the projected six-month period ending January 2013, GPA is forecasting that 95% of the generation will come from the more cost-effective steam units and slow speed diesels that burn lower cost Number 6 oil. This is a somewhat lower percentage than GPA projected for the six months ending July 2012 (with two months estimated) of 98% and below the achieved level for the past several years. Although the reliance upon Number 6 oil has decreased slightly, the assumptions regarding efficiencies, dispatch and price per barrel for these units are still the most significant cost items used in deriving the LEAC factor.

GPA has been dispatching its units in an efficient manner, but a concern was raised by GCG in the LEAC proceeding establishing the LEAC factor that took effect August 2011. GCG noted that during the LEAC period ending January 2011 GPA failed to meet the base load performance standard for fuel efficiency (average base load heat rate) and that it failed to meet the 3-year average equivalent availability rates of the Cabras 1 and 2 units. We note with this filing that for the period ending April 2012 GPA is now meeting the base load performance standard for fuel efficiency. However, it continues to fail to meet the 3-year average equivalent availability rates for Cabras 1 and 2 units. The availability rate for Cabras 1 only slightly falls below the availability standard while Cabras 2 is substantially below the standard. With moderated consumer demand, the Cabras 2 unit, originally designed to operate as a base load unit, has been relegated to immediate load operations resulting in a greater number of starts and stops which impact unit outages. The resulting costs are passed onto consumers in the LEAC rate. In the next LEAC filing, GPA should address those proactive actions it is taking to reduce the forced outages incurred by Cabras 2 and to meet its availability standard.

In projecting the cost of Number 6 oil, GPA used the Morgan Stanley Energy Noon Call ("MSENC") projection of Singapore prices dated May 31, 2012. GPA projects the delivered price of oil using the future reports and adding the contract premiums explicit in the current contract with Petrobras, its fuel supplier. GPA pays a premium of $4.499 per barrel and $6.501 per barrel depending upon whether the delivery is high or low sulfur content. GPA uses a weighted average premium to the spot price of $5.20 per barrel to project the delivered price.[2] The next table shows the projected "delivered price" including weighted average premiums for high and low sulfur used in the derivation of the proposed LEAC factor. The price that GPA actually pays its supplier is based upon spot prices over a ten day period with the shipment date as the midpoint. This causes a small lag between spot price and the purchase price as recorded by GPA upon delivery. Table 2a shows the projected "delivered price" of Number 6 oil which includes the weighted average premiums for high and low sulfur (about $5.20 per barrel) as used in the GPA calculations of the LEAC factors.

[2] This premium may change after February1, 2013. Discussion will follow in our narrative regarding the working capital fund surcharge.

Table 2a-
Weighted Price of Number 6 oil –May 31, 2012
$/Bbl

	$/Bbl	
May-12	115.61	Actual
Jun-12	102.43	Forecast
Jul-12	101.55	Forecast
Aug-12	100.93	Forecast
Sep-12	100.98	Forecast
Oct-12	99.55	Forecast
Nov-12	99.55	Forecast
Dec-12	99.55	Forecast
Jan-13	98.52	Forecast

With the relatively recent PUC approval of an amendment to the contract with Petrobras, there was a change in the calculation used to convert the price per metric ton to price per barrel. Originally, a conversion factor of 6.6 barrels per metric ton was used in the derivation of the cost. In this proceeding GPA used a conversion factor of 6.5 barrels per metric ton. The per barrel price equivalent of the price per metric tons is measured with each delivery. While each delivery produce a slightly different metric tons to barrels conversion factor due to the specific gravity of the fuel delivered, we have reviewed some data from the billing department to check to see if 6.5 is a reasonable constant based upon some offload materials that we have recently received and determined the amount reasonable.

GCG has historically taken the position that the most recent forecast of fuel prices would provide a better estimate of the total cost of fuel for GPA for the upcoming LEAC period. We therefore requested an update to the MSENC used by GPA in its LEAC petition and GPA provided us with a July 5, 2012 report. Based on the July 5 report the price forecast for the next LEAC period has decreased from the levels initially projected by GPA. GPA uses the MSENC[3] to forecast of fuel prices not only for Number 6 oil, but also for Number 2 oil. This report is issued daily. **Table 2b** (below) shows the price projections for Number 6 oil in the more recent July 5, 2012 forecast.

Table 2b-
Price of Number 6 oil –July 5, 2012
$/Bbl

May-12	115.61	Actual
Jun-12	102.43	Forecast
Jul-12	101.55	Forecast
Aug-12	98.89	Forecast
Sep-12	98.39	Forecast
Oct-12	98.01	Forecast
Nov-12	97.67	Forecast
Dec-12	97.67	Forecast
Jan-13	96.89	Forecast

[3] Morgan Stanley asserts that this report is proprietary and confidential information and cannot be distributed to the public.

While the price of oil for June and July in the current LEAC period might be lower than originally projected, GCG has adjusted the prices only for the LEAC period (August through January) to be conservative. Consistent with our usual practice, GCG has used the more recent forecast to compute our recommended factors.

As the Commission is aware, a lag exists between spot prices and purchase, and the impact in the LEAC of increased or decreased spot prices is also "lagged" due to the "FIFO"4 method of inventory valuation used by GPA in the determination of fuel expenses for the LEAC. As a result, increased or decreased oil prices are directly linked to the prices ultimately paid by GPA, but they do not immediately impact the ratepayers and the LEAC.

Cost of Number 2 Oil

For the price of Number 2 oil forecasts, GPA also uses MS Energy Noon Call as the source document. GPA used the same May 31, 2012 forecast to estimate the price for this supply. The following table shows the projection of Number 2 (diesel) prices:

Table 3a-
Price of Number 2 oil-May 31, 2012
$/Bbl

May-12	$	162.65	Actual
Jun-12	$	142.11	Forecast
Jul-12	$	142.26	Forecast
Aug-12	$	142.41	Forecast
Sep-12	$	142.39	Forecast
Oct-12	$	142.71	Forecast
Nov-12	$	142.71	Forecast
Dec-12	$	142.71	Forecast
Jan-13	$	142.89	Forecast

The prices shown above are delivered prices and include an average weighted premium of $26.96 per barrel under the terms and conditions of GPA's contracts with its supplier(s). This excess above price is computed by taking the average weighted cost of the annual amount for each contract. The range of premium is $25.24 per barrel for the TEMES contract (the largest) to $29.82 per barrel for the Tenjo Vista contract. As in the past, we have accepted the weighted average premium used by GPA to quantify diesel costs for the projected period. We have also updated the price of Number 2 oil to be consistent with the July 5, 2012 MSENC as shown in the following table:

[4] First in First Out ("FIFO") inventory uses the oldest price of supply in inventory before recognizing the more current price.

Table 3b-
Price of Number 2 oil-GCG
$/Bbl

May-12	$	162.65	Actual
Jun-12	$	142.11	Forecast
Jul-12	$	142.26	Forecast
Aug-12	$	141.06	Forecast
Sep-12	$	140.91	Forecast
Oct-12	$	140.81	Forecast
Nov-12	$	140.76	Forecast
Dec-12	$	140.76	Forecast
Jan-13	$	140.69	Forecast

Handling Costs

The amount termed "handling costs" is somewhat of a misnomer, but as used in the LEAC procedure is the sum of several cost items that have in the past been permitted to be included into the total cost of fuel to be recovered through the LEAC. The net sum of these items is approximately $1.6 million as projected by GPA. The following table shows the components of these costs:

Table 4 – Handling Costs
Six Months Ending January 31, 2013

	Total
Total Dock Fee-Tristar	$ 719,086
Excess Laytime/Overtime-Tristar	16,676
Storage Tank Rental-Tristar	693,360
Pipeline Fee-Tristar	389,652
TOTAL Tristar Costs	$ 1,818,774
Tank Farm Management Fee (Vital)	358,512
Ship Demurrage Cost	82,771
Fuel Hedging loss/gain (estimated)	-
Lube Oil	1,067,220
Subscription Delivery fee, Vacuum Rental, Hauling	31,333
Sale of fuel to Matson	(541,092)
Inventory growth to be recovered this period 07/31/12 vs. 01/31/13	(1,445,019)
SGS Inspection	117,642
Labor charges	89,630
Interest Charges	-
TOTAL Handling Costs	$1,579,772

We have accepted the projections of GPA for most of these items, since they mirror prior actual costs for these items. A few of these items are dependent upon the oil price assumption and therefore there are a few changes driven entirely by the updated MSENC that GCG employed in recalculating the LEAC factors. There are only three items upon which we have focused our attention: Fuel Hedging, Inventory Cost Changes and letter of credit interest costs.

Fuel Hedging

As filed, GPA does not include any adjustment to fuel costs related to a fuel hedging program. In discussions with GCG in January 2012 on its application to implement a revised fuel hedging program, GPA was anxious to get started with a more comprehensive and flexible program to hedge most if not all of its requirements. At this point in time, however, GPA remains reliant upon the "no cost collar" approach to hedging which was the method that GPA had entirely relied on previously, and had proved unsatisfactory in the past as stated in GPA's petition to implement the new hedging program. Currently GPA has three contracts in place and has at least some (roughly 50%) of the required supply covered by hedging contracts for both the six months ending July 2012 and for the six months ending January 2013. The following table shows the no cost collar contracts that are (or were) in place:

Table 5
Hedging Contracts

	Quantity		Ceiling		Floor	
Contract	MT	Period	$/MT	$/Bbl	$/MT	$/Bbl
J Aron	10,000	01/01/12 - 03/31/12	679.00	102.88	553.00	83.79
Morgan Stanley	10,000	04/01/12 - 06/30/12	676.00	102.42	569.50	86.29
Goldman Sachs	10,000	04/01/12 - 06/30/12	663.00	100.45	579.90	87.86
J Aron	10,000	07/01/12 - 09/30/12	667.00	101.06	558.50	84.62
J Aron	10,000	07/01/12 - 12/30/12	712.00	107.88	569.50	86.29
J Aron	10,000	10/01/12 - 12/30/12	646.00	97.88	523.50	79.32
Morgan Stanley	10,000	1/01/13 - 3/31/13	640.00	96.97	511.00	77.42

For computation of the conversion to $/Bbl GPA uses a constant of 6.6 barrels per metric ton since the hedging transactions are financial in nature and are not physical transactions. For the two J Aron contracts in place during the six months of the projected LEAC period, the cost per barrel as shown on Table 2a (less $5.20 per barrel) for the period September 2012 through December 2012 fall within the ceiling and floor prices and therefore no penalty or credit is anticipated. Updating the prices based on the July 5, 2012 MSENC did not result in a change in hedging costs since the revised prices without the $5.20 premium still fell between the contract ceiling and the contract floor prices. Likewise the contract beginning January 31, 2013 also contains a collar within which the future price falls.

For the six months ending July 31, 2012, GPA benefitted from the contracts that were in place for that period. The price per barrel of oil exceeding the ceiling price of the existing contracts and GPA received credits totaling $2.7 million, which reduced the deferred fuel expense balance for which GPA seeks recovery.

At its March 26, 2012 meeting, the PUC considered revisions to GPA's fuel oil hedging program in response to GPA's petition to allow the creation of a more dynamic hedging environment. Following consideration the PUC approved a new GPA hedging program conditioned upon acceptance by GPA of the 14 recommendations contained in GCG's hedging report dated March 21, 2012.[5] The series of 14 recommendations, which can be found in Appendix A of the March 21, 2012 GCG report, identify milestones that require the subsequent review and consideration by the PUC based upon the timetables for milestone implementation.

The GCG report identified a number of challenges confronting GPA in the implementation of the hedging program. The report further cautioned that it was critical GPA address each of these challenges to mitigate any adverse consequences. Principal among these challenges are the requirement to retain sufficient personnel with the requisite skill sets to operate the fuel hedging "model," to commit appropriate human resources to day-to-day hedging program activities, to have an independent third party hedging expert "shadow" GPA hedging activities until GPA has adequate internal resources in place, and to provide the PUC reporting concurrent with every LEAC filing.

GPA is still in the early stages of implementing its new hedging program and at this time much work remains to be done in the implementation of the milestones associated with the 14 recommendations adopted by the PUC. We have conducted our review of the current hedging program and the impact on the current LEAC factor based upon GPA being in the early stages of implementation of the new program. Our review focused on the hedging program as both outlined in GPA's fuel hedging petition and the 14 recommendations adopted in the PUC's final order in Docket 10-03. We offer the following observations:

1. Subsequent to PUC approval of the new hedging program GPA has executed what we understand to be three hedging contracts for the period extending through March 30, 2013 for either 10,000 or 20,000 MT per month, depending upon the month. GPA indicates through the LEAC period it is approximately 50 percent hedged with costless "collars" shown in table 5.

2. The hedges executed to date are all based upon costless collars— the same hedging instrument used by GPA before the PUC authorization to move to new hedging instruments. To date, GPA has not availed itself to any of the new instruments authorized by the PUC while the fuel market has been volatile.

[5] GPA Docket 10-03 approved the recommendations and reasoning contained in the GCG Hedging Report on March 26, 2012.

3. We reiterate recommendation #1 in our March 21, 2012 hedging report that GPA hedge 100% of its fuel requirement for the LEAC period with price "caps" to the extent practicable. This will meet the goal of providing maximum price protection to consumers and prevent margin calls on GPA - something that may not be accomplished with collars.

4. Recommendation #5 contained in our March 21, 2012 report was to create new positions for the hedging function and to retain the requisite personnel needed to execute GPA's hedging needs. We view this as one of our more critical recommendations. The significance of the hedging responsibility to consumers is such that persons assigned this role need to devote 100% of their time to fuel oil hedge planning and implementation including: transaction execution, management and administration; documentation (base contracts and confirmation); and management reporting. Guam consumers should not be short-changed by having the duties to effect the multi-million dollar negotiation and administration of transactions and to understand margin provisions, if any, to someone not having the necessary time to properly devote to the requirements of the role. We understand that GPA committed to add personnel in the January and March 2012 discussions with GCG, but no personnel have been added to date. The fuel hedging duties appear to have been added to personnel in the financial department who are capable, but in our view double or triple up on functions that they already perform. Adding suitable qualified additional personnel is critical. Fuel represents approximately 70% to 80% of total GPA expenses and personnel savings here do not make sense.

5. GPA has initiated training concerning the use of the hedging model and available hedging instruments (recommendation #6). Such training has taken place off-site to minimize disruption. In addition to providing training, SAIC has been shadowing GPA's use of the models. GPA has stated that the purpose is to "train the trainer" and that additional training subsequently will be provided by the GPA trainer.

6. GPA has made some progress in integrating the models together with management-oriented reporting tools (recommendation #11). GPA needs to continue its efforts in this area.

7. Consistent with GPA's Risk Management Procedures for Fossil Fuels, the CCU approved on July 10, 2012 the creation of the two committees (Risk Management and Fuel Hedging Committees) outlined in the procedures manual. It is our understanding no appointments have yet been made to these committees. However, we have been advised that GPA has retained a consulting firm to assist them in structuring the duties and role of the Risk Management Committee.

8. We are aware that some initial discussions have been held with at least one counter-party (recommendation #9) for the purpose of reviewing hedging instruments that are

available in the Singapore market. However, in discussions with GPA, we are led to believe that these discussions are preliminary in nature and that further discussions are required. We view these further discussions as critical for a determination of the full range of hedging products that may be available to GPA in the Singapore market.

As we advised in our earlier report, the success of the hedging program will be dependent upon providing adequate resources (personnel, training, succession planning, hedging tools, models and reporting) to execute the various internal requirements for operating the hedging program on a day-to-day basis. While meaningful progress has been made more follow up is required by GPA in the implementation of the 14 recommendations adopted by the PUC. When we review the schedule provided in the PUC's original Docket 10-03 order to implement the recommendations, it is clear that the schedule is no longer viable. We have requested that GPA update the original schedule with dates that it believes to be reasonable for the completion of the 14 recommendations. We have included as Appendix A GPA's suggested changes to the milestone schedule dates. GPA should provide a report concurrent with its next LEAC rate filing on the status of its implementation of all 14 recommendations.

Meanwhile, as we previously advised the PUC, we continue to believe GPA's hedging program should have but two primary objectives:

1. To control volatility associated with GPA's fuel prices and its working capital requirements, and

2. To allow consumers to know with reasonable certainty the maximum price they will pay for fuel consumption during the LEAC period.

Beating the market or making money on fuel oil hedges should "not" be a GPA objective. Clearly GPA cannot control worldwide oil prices; however, it can control fuel price volatility through hedging programs such as purchasing price caps over time. GPA can also control working capital requirements by entering in to specific margin provisions and transaction types with creditworthy counterparties. As long as GPA has hedges in place prior to each LEAC period, GPA will be able to tell customers what to expect for maximum fuel costs during the six-month period.

The ability for consumers to know with reasonable certainty the cost of their fuel requirements and for GPA to manage its working capital requirements are seminal characteristics of a good hedging program for any publicly owned electric utility. These fundamental principles will allow for the managing of consumer expectations and reduce other risks for GPA, i.e. political and public relations.

Finally, we continue to be concerned that while GPA has eliminated call requirements with two of three counterparties with whom hedging transactions have been placed there are call requirements with the third counterparty if the price falls below the floor and the impact is greater than $10

million. With the current liquidity concerns as was evaluated in the last base rate proceeding, we recommend that hedges with the third counterparty be avoided.[6]

Fuel Inventory

Another significant item of "handling costs" is the inventory valuation costs. For the six-month period ending January 31, 2013 GPA is crediting the cost of fuel by the anticipated decrease in the inventory valuation between July 31, 2012 and January 31, 2012. The total estimated impact of this adjustment to fuel expense is $1.4 million. The derivation of the amount credited to the fuel expense for the six month period ending July 31, 2012 is shown in the following table:

Table 6
Inventory Adjustments
Six months ending January 2013

Description	Barrels	Unit cost avg	Amount
Estimated ending inventory as of 01/31/13	489,199	99.034	$ 48,447,488
Estimated ending inventory as of 07/31/12	489,199	101.988	$ 49,892,507
Change in fuel inventory	-	(2.954)	$ (1,445,019)

With the revised projection of fuel prices for January 2013, the inventory valuation amount (credit) is slightly larger ($2.3 million).[7]

Letter of Credit Interest

GPA is requesting no interest recovery with this LEAC. The amended Petrobras contract gives GPA an interest free Letter if Credit and GPA is not charged interest. This item should be dropped from future presentations to the extent that there is no longer a Letter of Credit and therefore no interest.

Unaccounted for Energy

The PUC Order of January 2009 set an interim standard of 7% for unaccounted for energy (sometimes incorrectly referred to as line losses), but does not establish the method for measurement. The 7% unaccounted for energy level is the benchmark that defines the maximum allowable level that can be prudently included in the LEAC rate and passed onto consumers. In this filing, GPA has provided an analysis showing that it is achieving a somewhat less than 7% unaccounted for energy level based upon a rolling average 24 months. On a rolling 12 months, it has achieved a rate of 7.01%. These percentages are based upon the ratio of sales including company use to net plant output.

[6] There is current a transaction with the third counterparty.
[7] See Attachment A1, Schedule 5.

Actual unaccounted for energy performance would indicate that GPA on a 24-month period is slightly over-recovering from consumers the difference between its actual unaccounted for energy level and the 7% benchmark on a projected basis; however, the LEAC reconciliation does wash out any over-recovery. Nonetheless, it may be advisable that in future LEAC filings to use the actual unaccounted for energy value so that consumers are properly charge on a current basis the impact of unaccounted for energy. This will particularly become important as the Smart-Grid project is implemented. As we noted in a prior report[8], unaccounted for energy will be subject to substantial change over the course of the next 12 to 30 months as components of the Smart-Grid project are completed. Since it is the monetization of the benefits consumers will derive from a reduction in unaccounted for energy that was used as the primary justification of the financing of the Smart-Grid project capital costs it is important that unaccounted for energy be adjusted accordingly. The PUC should continue to monitor GPA unaccounted for energy with the implementation of the Smart-Grid project. As savings in unaccounted for energy are achieved changes should be made to the 7% allowance currently used in the LEAC rate calculation.

Under-Recovery

As mentioned earlier in this report, GPA has proposed LEAC factors under 2 scenarios. One scenario flows the entire forecasted under-recovery of fuel expenses through the LEAC and recovers about $4.8 million over a period of six months. This is how the LEAC is designed to work. As an alternative, GPA has also calculated the LEAC factor assuming recovery of the $4.8 million over a period of one year. Therefore, it has provided a scenario recovering deferred fuel of $2.4 million over the six months of this LEAC.

In the recently concluded Phase 1 of the rate case (Docket 11-09), much of the discussion eventually came down to cash flow and GPA's desire to have a certain number of days' working capital on hand at all times. To now request a delay in the recovery of the fuel expense is entirely inconsistent with the position GPA adamantly maintained in the rate case with regard to its cash requirements. With decrease in oil prices, it appears that resulting reduction of the LEAC factor will still result in a significant reduction in consumer bills. Extending the recovery of the deferred fuel expense balance may not be warranted and would be counter to the decisions and concessions made in the base rate case. Our recommendation is that the entire deferred fuel balance be recovered by GPA over the six-month period ending January 2013.

Change in the working capital surcharge

GPA has proposed to slightly revise (reduce) the current working capital surcharge, which has been in place since May 1, 2012. This proposal is driven by GPA's revised estimate of fuel costs

[8] In GCG's July 15, 2010 Report on GPA's Request for a LEAC Factor Effective August 1, 2010 we discuss substantial modifications to be undertaken to the operations of GPA's delivery system, the impact of these changes on performance, the importance of unaccounted for energy and the consequences to consumers of higher than necessary unaccounted for energy levels. We discuss that consumers could find themselves in a position of paying for costly technologies without any accountability for performance.

compared to the somewhat higher estimate used in the recent base rate case. The PUC approved a revised WCF surcharge based upon a stipulation between GPA, GCG and the Navy regarding the requirement for the WCF and a revised surcharge based upon that estimate of fuel costs. The amortization period for recovery of the higher annual fuel expense was to be a period of twelve months, The issue of how to reconcile and/or revise the WCF surcharge (including adjusting for over collection or under collection) was shifted into Phase II of the base rate case, which has yet to begin.

The proposed change in the surcharge for civilian and Navy customers is based upon a revised projection of fuel costs. In the base rate case, annual (FY12) cost was estimated to be $305,450,000, which was a significant increase over the fuel expense level upon which the first WCF and related surcharges were calculated. When the WCF surcharges were first calculated, the basis for the fuel expense portion of the WCF requirement was only $247,191,000. In the base rate case (Docket 11-09), the surcharge was adjusted upward to reflect this projected increase and new surcharges were approved at the conclusion of the Phase 1 of this docket. As of May 1, 2012 the Navy was paying a fixed monthly charge of $179,152 and the civilians were paying $0.00778 per kWh.

In the LEAC filing, GPA has a revised annual estimate for fuel expense of $303,858,152 for "Fiscal 2013." The difference between the FY12 and FY13 projected costs is the basis for the recommended decreases proposed by GPA as shown in the following table:

		PUC-Approved WCF Surcharge Eff 5/1/12	**FY 2013**	**GPA-Proposed WCF Surcharge Eff 8/1/12**
A	Revised Projected Fuel Costs		$ 303,858,152	
B	Current Projected Fuel Costs		305,450,000	
C	Increase (Decrease) in Fuel Costs		$ (1,591,848)	
D	Working Capital Fund Requirement (1/12 of Line C Change In Fuel Costs)		$ (132,654)	
E	Navy Share		17.0%	
F	Civilian Share		83.0%	
G	Navy WCF Surcharge Share (Line D x Line E)		$ (22,551)	
H	**Navy WCF Surcharge (Line G / mos.)**	**$ 179,152**	**$ (3,759)**	**$ 175,394**
I	Change in Civilian (Line D x Line F)		$ (110,103)	
J	Kwh Sales Forecast		624,617,000	
K	**Civilian WCF Surcharge (Line I / Line J)**	**$ 0.00778**	**$ (0.00018)**	**$ 0.00761**

As a result of a revised forecast, GPA is recommending reducing the surcharges. However, it should be remembered that the WCF is also related to O&M (non-fuel) and the IPP costs, which are also changing. There was no testimony accompanying the LEAC and no testimony on this issue. During the discovery process of this proceeding, GCG inquired about the projection of the

fuel costs and received the analysis upon which GPA based its projection for Fiscal 2013 fuel costs.

The projection of fuel expense for Fiscal 2013 also relied upon an MSENC report dated May 16, 2012. For the twelve months ending September 2013, the MSENC projected prices of $100.41 (before premiums) in September 2012 and gradually falling to $96.50 by fiscal year-end. Using an average annual price of $98.40 per barrel the premiums are then added to this price to determine the cost of HSFO and LSFO. The number of barrels required is forecasted by GPA SPORD group. GPA continues to forecast a 1% growth from Fiscal 2012 levels. This slow growth assumption is consistent with the growth forecasts in the rate case.

If we updated the Fiscal 2013 forecast for a revised look at the spot prices from MSENC on July 5, 2012 the annual cost of fuel would be slightly lower. However, we believe that the WCF surcharge established in Phase 1 of Docket 11-09 should remain in place until issues regarding reconciliation of the WCF revenues and requirements are resolved. Those issues are anticipated to be resolved in Phase 2 of Docket 11-09 and we are assuming such resolution will happen before the end of this LEAC period (six months ending January 2013). We therefore recommend that the WCF surcharge currently in place remain until the issue of the WCF is resolved in Phase 2 of the base rate docket.

The level of the WCF that is required by the indentures of GPA bond is the equivalent of one month of budgeted O&M, Fuel and IPP payments. In the rate case, GPA estimated that its total Fiscal 2012 requirement was $33.7 million. As of July 2012 that WCF had a balance of $29.9 million and was therefore not yet in compliance with the bond covenant. In response to questions, GPA indicated that monthly deposits of about $0.4 million are made to this fund. The LEAC period is six months and assuming a level revenue stream of $0.4 per month, the fund will increase by about $2.4 million or close to the required level. Therefore, to reduce the current surcharge by the small amount requested by GPA appears to be self defeating, leading us to the conclusion to leave the current WCF surcharge in place pending resolution of Phase 2 of Docket 11-09.

RECOMMENDATIONS

As a result of our review of the June 2012 request by GPA for new LEAC factors and in consideration of the updated fuel price forecasts, we recommend:

- The current singular LEAC factors should be adjusted effective August 1, 2012 as shown in the following table:

Customer	LEAC per kWh	
Secondary -	$	0.186834
Primary - 13.8 KV	$	0.180900
34.5 KV	$	0.179035
115 KV	$	0.177170

- GPA should file for a change in the LEAC factors to be effective February 1, 2013 on or before December 15, 2012.

- The current WCF surcharges of $0.00778 per kWh for civilian customers and monthly fixed charge of $179,852 should remain in effect until the issues regarding reconciling the WCF revenues and requirement are resolved in Phase 2 of Docket 11-09 or as otherwise determined by the PUC in the next LEAC or other proceeding.

- GPA should file concurrent with its next LEAC filing a report detailing the status of each of the 14 fuel hedging recommendations adopted in Docket 10-03 and the GPA modified milestone schedule contained in Appendix A. GPA should also file with its next LEAC filing a report on each of the hedging instruments used to hedge, the hedge amounts, the cost of any hedge, their expiration, and a summary of the impact of the hedge on volatility.

- GPA is currently totally dependent on fuel oil for electric power generation. GPA previously identified in its integrated resource plan (IRP) an aggressive program of renewable energy and recently entered into its first renewable energy contract that will provide annually about 40,500 mWh of photovoltaic solar energy to its system by the end of 2013. With this positive step GPA will effectively displace approximately 2.5% of the energy that it would otherwise have produced by fossil fuel or about one-half of the December 31, 2015 renewable portfolio standard of 5% set in Public Law 29-62. The PUC should monitor GPA's activities and accomplishments in meeting the requirements of P.L. 29-62.

- The PUC should continue monitor with each LEAC filing the impact of the implementation of the Smart-Grid project on GPA unaccounted for energy. As sustainable savings in unaccounted for energy are achieved changes should be made to the 7% percent allowance currently used in the LEAC rate calculation so that consumers are properly charged on a current basis the impact of unaccounted for energy.

- The current method used to develop and present the LEAC rates (the use of integer values) for secondary, primary, sub-transmission and transmission service is inconsistent with the loss multipliers resulting from the most recent cost study and as used in the recently completed rate investigation. To properly charge customers in these different delivery voltage classes the loss multipliers from the recently completed rate proceeding should be used. We recommend no change in this LEAC rate filing, but GPA should address this matter in its next LEAC rate filing.

- GPA should in their next LEAC rate filing address those actions it is taking to reduce the forced outages incurred by Cabras 2 and to meet its availability standard.

This concludes our report. If we can be of further assistance, please do not hesitate to contact Jim Madan, Larry Gawlik or myself.

Yours truly,

for William J. Blair

Edward R Margerison

CC: William J. Blair, Esq.
Graham Botha, Esq.
Fred Horecky, PUC
Lou Palomo, PUC
John Benavente, CCU
Kin Flores, GPA
Randall Wiegand, GPA
Jamshed Madan
Larry Gawlik

G56\24931-NEW
G:\GCG\DOC\042-GCG REPORT RE LEAC FACTORS EFFECTIVE 8-1-12
RE GPA DOCKET 12-06.DOC

Appendix A

Recommendation	Evaluation and Implementation Plan	Original Due Date	Update
R1. Target hedges for 100% of consumption prior to each 6-month LEAC period using fixed prices, swaps, calls, puts, participating swaps, and collars.	Task R1.1. Under the management of GPA's CFO engage hedge counterparts (Counterparts) to better understand what instruments, execution constraints, and margin requirements (if any) are available for GPA's needs.	4/30/2012	GPA and Hedge consultant had a call with Goldman Sachs on June 6, 2012.
	Task R1.2. Consolidate and review historical consumption figures and establish integration between forecasted consumption and execution of the risk management strategy.	3/31/2012	Structured draft position report to include this information. **7/18 Update: In progress**
R2. Execute hedges using GPA personnel to run models, execute trades, and report positions and risk. Activities to be shadowed by SAIC for the first six-12 months.	Task R2.3. Establish Interim Program to ensure models are fully integrated, personnel adequately trained, and resources available.	3/31/2013	GPA is running model and Hedge consultant is shadowing results.
R3. Ensure separation of duties	Task R3.0. Establish Management Directive to fund and ensure resources for the execution of the Risk Management Program	3/31/2012	Revised organizational structure to clearly reflect separation of duties
	Task R3.4. Review with CCU GPA's evaluation and implementation of the 14 recommendations made by GCG.	2/28/2013	**7/18 Update: Continuing to work on implementation**
R4. Independent audit every two years. Initial conduct audit on a shorter interval Schedule to verify or update the models at least annually Modify procedures as needed as credit and margin changes.	Task R4.5. Conduct an audit at least every two years of the execution of the risk management program	3/31/2014	This will be discussed with D&T as part of the Audit Engagement to commence in October (after end of fiscal year ending in September) **7/18 Update:: CCU resolution passed including requirement**

			for regular audits by hedge consultant.
	Task R4.6. Conduct an audit at least once a year of the models and reports supporting the risk management program.	2/28/2013	Mary Paz (internal auditor) has been designated.
R5. Identify new positions and hire personnel needed to execute on plan	See Task R3.0		Requested 1 FTE to General Manager. The person will devote 20-30% of his/her time to hedging. **7/18 Update: Position has not yet been approved internally. We might have to withdraw our agreement on this one.**
R6. Devise plan to train new personnel needed to execute on plan	See Task R3.0 and R4.5		Trip to DC from CMontellanos and trip to Guam sometime in the next year.
R7. Develop user manual based on Appendix F	Task R7.7 Develop user manual based on Appendix F of Procedures Manual	6/30/2012	New position report enhances the information and will include an executive dashboard for senior management consumption. **7/18 Update: Consultant has reported progress on the manual.**
R8. Design a simple interim plan to protect GPA LEAC from price volatility until personnel, models, and reporting infrastructures are in place	See Task R3.0		We have increased hedges through the end of the Summer 2012. Increased

			training for ACFO to utilize the different models.
R9. Engage counterparties in exploratory discussions	See Task R1.1		GPA and Hedge consultant had a call with Goldman Sachs on June 6, 2012.
R10. Create Quarterly reporting to CCU physical/financial, buy/sell, mark-to-market, hedge effectiveness, Value at Risk (VaR), credit exposure (CDF spreads) / potential margin requirements	Task R10.8. Develop a specific report template, format, content that is meaningful to GPA and CCU	4/30/2012	ACFO to discuss with GPA senior management on what is appropriate/ desirable.
R11. Integrate Models	Task R11.9. GPA to devise a plan for implementation process to integrate, maintain, and audit models and reporting to support Risk Management Policies and Procedures	4/30/2012	Position report will integrate all these models.
R12. Enhance reporting capabilities and process	See Task R3.0, R10.8, and R11.9		The procedures manual will be enhanced to include backup and maintenance of the model. This includes archiving each individual run and checking for the integrity of the model at least on a quarterly basis.
R13. Include backup plan to manage personnel risk	See Tasks R3.0 and R3.4		Requested new staff. Alternatively exploring training of somebody from Finance or from SPORD.

Attachment A1
LEAC Projection August 2012 Through January 2013
GCG Recommendation

GUAM POWER AUTHORITY
Fuel Clause Reconciliation

Schedule 1

						FY 13	FY 12	FY 13	FY 12
1 Start Date				Total FY 12	Total FY 13	Civilian	Civilian	Navy	Navy
2 Total Sales				1,582,583	1,598,408	1,244,249.00	1,231,931.00	354,159.00	350,652.00
3 Daily Sales				4,324.00	4,379.20	3,408.90	3,365.93	970.30	958.07
4 Plant Use				6.18%	6.18%	210.80	208.14	60.00	59.24
5 Transmission Loss				3.40%	3.40%	115.98	114.51	33.01	32.59
6 Distribution Loss				4.14%	4.14%	141.24	139.46	40.20	39.69
7 Company Use				0.18%	0.18%	6.17	6.09	1.76	1.73
8 Total Daily Demand						3,883.08	3,834.14	1,105.27	1,091.33
									% To
9 Month		Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	TOTALS	Total
10 Days		31	30	31	30	31	31		
		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast		
11 Required Generation-Civilian		118,858	115,024	120,376	116,493	120,376	120,376	711,502	77.843%
12 Required Generation-Navy		33,831	32,740	34,263	33,158	34,263	34,263	202,519	22.157%
13 TOTAL REQUIRED GENERATION		152,690	147,764	154,639	149,651	154,639	154,639	914,021	
14 Number 6 (HSFO/LSFO)		$ 22,045,470	$ 23,045,773	$ 21,461,303	$ 21,074,567	$ 21,446,169	$ 21,587,210	$ 130,660,492	Schedule 2
15 Number 2 (GPA)		2,363,008	727,760	2,259,893	1,910,685	2,521,313	2,222,962	12,005,619	Schedule 3
16 Number 2 (USN)		0	0	0	0	0	0	0	Schedule 4
17 TOTAL COST		$ 24,408,478	$ 23,773,532	$ 23,721,196	$ 22,985,251	$ 23,967,482	$ 23,810,172	$ 142,666,111	
18 Handling Costs		107,068	107,525	128,581	128,762	128,822	129,338	730,097	Schedule 5
19 TOTAL EXPENSE		$ 24,515,546	$ 23,881,058	$ 23,849,777	$ 23,114,013	$ 24,096,304	$ 23,939,510	$ 143,396,208	
Calculation of Civilian Factor									
20 Sales-Civilian		104,344	100,978	105,676	102,267	105,676	105,676	624,617	
20a Sales-At Transmission Level		5,252	5,083	5,252	5,083	5,252	5,252	31,174	
20b Sales @ 13.8 kV		99,092	95,895	100,424	97,184	100,424	100,424	593,443	
21a Fuel Cost Recovery @ 13.8 kV	**$186.834**	18,513,748	17,916,530	18,762,622	18,157,376	18,762,622	18,762,622	110,875,521	
21b Fuel Cost Recovery @ "Transmission"		945,574	915,072	945,574	915,072	945,574	945,574	5,612,439	
21c Total Recovery		19,459,322	18,831,602	19,708,196	19,072,448	19,708,196	19,708,196	116,487,961	
22 Civilian Costs (Total Expense x %)	77.843%	19,083,644	18,589,739	18,565,389	17,992,648	18,757,293	18,635,240	111,623,954	
22a Deferred Fuel Amort.								0	
23 Under/(Over)		(375,678)	(241,863)	(1,142,807)	(1,079,800)	(950,903)	(1,072,956)	(4,864,007)	
24 Estimated Under/(Over)									
25 Net Recovery Under/(Over)									
								$ 186.4951	
26 Proposed Fuel Cost Recovery									
Half of Navy Adjustment		0							
Civilian Clause Reconciliation:									
27 Opening Recovery Balance-Aug. 1, 2012		4,864,007	4,488,329	4,246,466	3,103,659	2,023,859	1,072,956		
Under/(Over)		(375,678)	(241,863)	(1,142,807)	(1,079,800)	(950,903)	(1,072,956)		
29 Closing Recovery Balance		4,488,329	4,246,466	3,103,659	2,023,859	1,072,956	0		

Bills Computed at 1000 kWh/month	**Current Rates (1)**	**Current Bill**	**Rate to fully recover**	**Increase (Decrease)**
Customer Charge $/month	$ 10.00	$ 10.00	$ 10.00	$ -
Non Fuel Energy Charges ($/Kwh)				
Lifeline Usage (500 Kwh)	0.03644	$ 18.22	$ 18.22	$ -
Non Lifeline Usage	0.09545	$ 47.73	$ 47.73	$ -
WaterWell Charge				
Lifeline Usage (500 Kwh)	0.00000	$ -	$ -	$ -
Non Lifeline Usage	0.00279	$ 1.40	$ 1.40	$ -
Insurance Charge	0.0029	$ 2.90	$ 2.90	$ -
WCF Surcharge	0.00761	$ 7.61	$ 7.61	
Fuel Recovery Charge		$192.310	$186.834	$ (5.48)
TOTAL Bill		**$ 280.16**	**$ 274.68**	**$ (5.48)**
Increase (Decrease) From Current Bill			$ (5.48)	
Percent Increase (Decrease)			**-1.95%**	
Increase (Decrease) From Current Leac Factor			$ (5.48)	
Percent increase (Decrease)			**-2.85%**	

Adjusted LEAC Rate:

Customer	
Secondary - 13.8 KV	$0.186834
Primary - 13.8 KV	$ 0.180900
34.5 KV	$ 0.179035
115 KV	$ 0.177170

Baseload Unit Forecast
Cost of Number 6 Oil

IWPS TOTAL GENERATIOI	152,690	147,764	154,639	149,651	154,639	154,639	914,021
	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Total
Cabras #1							
Generation (Mwh)	30,740	36,577	35,205	34,804	30,354	32,621	200,301
Kwh/Barrel	602	602	602	602	602	602	
Barrels	51,063	60,759	58,481	57,814	50,423	54,187	332,727
Mmbtu/Kwh (Heat Rate)	10,133	10,133	10,133	10,133	10,133	10,133	
Cabras #2							
Generation (Mwh)	9,412	24,778	2,663	8,085	11,478	10,465	66,880
Kwh/Barrel	579	579	579	579	579	579	
Barrels	16,255	42,794	4,599	13,964	19,824	18,073	115,510
Mmbtu/Kwh (Heat Rate)	10,535	10,535	10,535	10,535	10,535	10,535	
Cabras #3							
Generation (Mwh)	20,376	22,914	23,980	17,722	23,619	19,339	127,951
Kwh/Barrel	729	729	729	729	729	729	
Barrels	27,951	31,432	32,895	24,311	32,399	26,528	175,516
Mmbtu/Kwh (Heat Rate)	8,368	8,368	8,368	8,368	8,368	8,368	
Cabras #4							
Generation (Mwh)	23,256	6,090	23,689	22,917	19,705	23,772	119,428
Kwh/Barrel	713	713	713	713	713	713	
Barrels	32,617	8,541	33,224	32,142	27,636	33,341	167,501
Mmbtu/Kwh (Heat Rate)	8,555	8,555	8,555	8,555	8,555	8,555	
Tanguisson #1							
Generation (Mwh)	7,092	9,513	3,792	7,466	7,655	8,301	43,818
Kwh/Barrel	469	469	469	469	469	469	
Barrels	15,121	20,284	8,085	15,918	16,321	17,700	93,429
Mmbtu/Kwh (Heat Rate)	13,006	13,006	13,006	13,006	13,006	13,006	
Tanguisson #2							
Generation (Mwh)	1,554	2,412	3,260	815	2,209	1,984	12,235
Kwh/Barrel	470	470	470	470	470	470	
Barrels	3,307	5,132	6,937	1,735	4,700	4,222	26,032
Mmbtu/Kwh (Heat Rate)	12,979	12,979	12,979	12,979	12,979	12,979	
Piti Power Plant 4 & 5							
Generation (Mwh)	0	0	0	0	0	0	0
Kwh/Barrel	463	463	463	463	463	463	
Barrels	0	0	0	0	0	0	0
Mmbtu/Kwh (Heat Rate)	0	0	0	0	0	0	
Enron (IPP) Piti #8							
Generation (Mwh)	24,051	20,199	24,554	22,820	22,629	22,897	137,150
Kwh/Barrel	734	734	734	734	734	734	
Barrels	32,768	27,519	33,452	31,090	30,830	31,194	186,853
Mmbtu/Kwh (Heat Rate)	8,311	8,311	8,311	8,311	8,311	8,311	
Enron (IPP) Piti #9							
Generation (Mwh)	26,528	22,220	28,129	27,086	26,782	26,254	156,999
Kwh/Barrel	734	734	734	734	734	734	
Barrels	36,142	30,272	38,323	36,901	36,487	35,769	213,895
Mmbtu/Kwh (Heat Rate)	8,311	8,311	8,311	8,311	8,311	8,311	
Total Generation (Mwh)	143,009	144,703	145,273	141,715	144,430	145,632	864,763
Total Barrels	215,224	226,734	215,997	213,875	218,620	221,014	1,311,462
Price/Barrel	$102.43	$101.64	$99.36	$98.54	$98.10	$97.67	$99.63
Total Cost (Sch. 6)	$22,045,470	$23,045,773	$21,461,303	$21,074,567	$21,446,169	$21,587,210	$130,660,492
% to Total MWH Generation	94%	98%	94%	95%	93%	94%	95%
% to Fuel Cost	90%	97%	90%	92%	89%	91%	92%
							$ 99.63

THE GUAM POWER AUTHORITY
GPA Diesel Unit Forecast
Cost of Number 2 Oil

Remaining Demand	9,680	3,062	9,366	7,935	10,209	9,007	49,258
	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Total
Dededo CT #1							
Generation (Mwh)	0	0	0	0	0	0	0
Kwh/Barrel	297	297	297	297	297	297	
Barrels	0	0	0	0	0	0	0
Mmbtu/Kwh (Heat Rate)	0	0	0	0	0	0	
Dededo CT #2							
Generation (Mwh)	0	0	0	0	0	0	0
Kwh/Barrel	374	374	374	374	374	374	
Barrels	0	0	0	0	0	0	0
Mmbtu/Kwh (Heat Rate)	0	0	0	0	0	0	
Macheche CT							
Generation (Mwh)	0	0	0	0	0	0	0
Kwh/Barrel	457	457	457	457	457	457	
Barrels	0	0	0	0	0	0	0
Mmbtu/Kwh (Heat Rate)	0	0	0	0	0	0	
Yigo CT							
Generation (Mwh)	328	0	0	0	875	905	2,109
Kwh/Barrel	465	465	465	465	465	465	
Barrels	706	0	0	0	1,883	1,947	4,535
Mmbtu/Kwh (Heat Rate)	12,473	0	0	0	12,473	12,473	
Tenjo Vista							
Generation (Mwh)	7,685	2,883	7,874	6,648	7,657	6,929	39,677
Kwh/Barrel	599	599	599	599	599	599	
Barrels	12,830	4,813	13,145	11,098	12,784	11,568	66,238
Mmbtu/Kwh (Heat Rate)	9,683	9,683	9,683	9,683	9,683	9,683	
TEMES							
Generation (Mwh)	0	0	0	0	0	0	0
Kwh/Barrel	327	327	327	327	327	327	
Barrels	0	0	0	0	0	0	0
Mmbtu/Kwh (Heat Rate)	0	0	0	0	0	0	

	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Total
Manengon (MDI)							
Generation (Mwh)	440	21	298	371	395	220	1,746
Kwh/Barrel	578	578	578	578	578	578	
Barrels	762	36	517	643	684	381	3,024
Mmbtu/Kwh (Heat Rate)	10,043	10,043	10,043	10,043	10,043	10,043	
Talofofo							
Generation (Mwh)	1,227	158	1,193	916	1,280	952	5,726
Kwh/Barrel	500	500	500	500	500	500	
Barrels	2,453	316	2,387	1,833	2,561	1,904	11,453
Mmbtu/Kwh (Heat Rate)	11,600	11,600	11,600	11,600	11,600	11,600	
Marbo CT							
Generation (Mwh)	0	0	0	0	0	0	0
Kwh/Barrel	293	293	293	293	293	293	
Barrels	0	0	0	0	0	0	0
Mmbtu/Kwh (Heat Rate)	0	0	0	0	0	0	
Dededo Diesel							
Generation (Mwh)	0	0	0	0	0	0	0
Kwh/Barrel	525	525	525	525	525	525	
Barrels	0	0	0	0	0	0	0
Mmbtu/Kwh (Heat Rate)	0	0	0	0	0	0	
Total Generation (MWH) #2 Units	9,680	3,062	9,366	7,935	10,209	9,007	
Total Barrels	16,751	5,165	16,049	13,574	17,912	15,800	85,250
Price/Barrel-See Schedule 7	$ 141.06	$ 140.91	$ 140.81	$ 140.76	$ 140.76	$ 140.69	$ 140.83
Total Cost	$2,363,008	$727,760	$2,259,893	$1,910,685	$2,521,313	$2,222,962	$12,005,619
Total Gross Generation	152,690	147,764	154,639	149,651	154,639	154,639	
Total Barrels	231,975	231,898	232,045	227,448	236,532	236,814	
% to Total MWH Generation	6%	2%	6%	5%	7%	6%	
% to Fuel Cost	10%	3%	10%	8%	11%	9%	

GUAM POWER AUTHORITY
Navy Dispatch

Schedule 4

Remaining Demand	(0)	(0)	0	(0)	0	0	
	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Total
New Orote Plant							
Generation (Mwh)	0	0	0	0	0	0	0
Kwh/Barrel	600	600	600	600	600	600	
Barrels	0	0	0	0	0	0	0
Radio Barrigada Muse							
Generation (Mwh)	0	0	0	0	0	0	0
Kwh/Barrel	550	550	550	550	550	550	
Barrels	0	0	0	0	0	0	0
Naval Hospital Muse							
Generation (Mwh)	0	0	0	0	0	0	0
Kwh/Barrel	550	550	550	550	550	550	
Barrels	0	0	0	0	0	0	0
Total Barrels	0	0	0	0	0	0	0
Price/Barrel	$ 141.06	$ 140.91	$ 140.81	$ 140.76	$ 140.76	$ 140.69	
Total Cost	$0	$0	$0	$0	$0	$0	$0
Remaining Demand	(0)	(0)	0	(0)	0	0	0

GUAM POWER AUTHORITY
Fuel Handling and Other Costs

Schedule 5

	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Total
Total Number Six Consumption	215,224	226,734	215,997	213,875	218,620	221,014	1,311,462
Dock Usage Fee/Barrel	$0.54	$0.51	$0.56	$0.57	$0.56	$0.55	
Total Dock Fee-Tristar (FY 12 Budget and FY 13 Budget)	$115,472	$115,472	$122,036	$122,036	$122,036	$122,036	$719,086
A) Excess Laytime/Overtime-Tristar	2,737	2,883	2,747	2,720	2,780	2,810	16,676
Storage Tank Rental-Tristar (FY 12 Budget and FY 13 Budget)	115,560	115,560	115,560	115,560	115,560	115,560	693,360
Pipeline Fee-Tristar (FY 12 Budget and FY 13 Budget)	55,533	55,533	69,646	69,646	69,646	69,646	389,652
TOTAL Tristar Costs	$289,302	$289,448	$309,988	$309,962	$310,022	$310,052	$1,818,774
Tank Farm Management Fee (Based on contract with Vital)	59,752	59,752	59,752	59,752	59,752	59,752	358,512
Ship Demurrage Cost (FY 12 Budget and FY 13 Budget)	14,500	14,500	13,443	13,443	13,443	13,443	82,771
D) Fuel Hedging loss/gain (estimated)	0	0	0	0	0	0	0
E) Lube Oil (FY 12 Budget and FY 13 Budget)	177,870	177,870	177,870	177,870	177,870	177,870	1,067,220
Subscription Delivery fee, Vacuum Rental, Hauling (FY12 Budget & FY 13 Budget)	4,667	4,667	5,500	5,500	5,500	5,500	31,333
F) Sale of fuel to Matson	(89,589)	(89,278)	(89,039)	(88,832)	(88,832)	(88,346)	(533,916)
G) Inventory growth to be recovered this period 07/31/12 vs 01/31/13	(383,645)	(383,645)	(383,645)	(383,645)	(383,645)	(383,645)	(2,301,869)
SGS Inspection (FY 12Budget and FY 13 Budget)	20,358	20,358	19,231	19,231	19,231	19,231	117,642
C) Labor charges (FY 12 Budget and FY 13 Budget)	13,853	13,853	15,481	15,481	15,481	15,481	89,630
B) Interest Charges	-	-	-	-	-	-	-
TOTAL Handling Costs	107,068	$107,525	$128,581	$128,762	$128,822	$129,338	$730,097
							730,097

Notes:

(A) Total Excess Laytime & O/T Charges for period 10/10 thru 09/11 $ 33,633.80
Total barrels offloaded FY 2011 2,645,072
Rate per barrel $0.0127

(B) Total Bank Charges (commission, issuance, LC fees) FY 11
LC charges rate per annum 2.35%
# of months charged by ANZ Bank 2

(c) Fiscal Year 12 budget for Labo $ 166,240.38
Divided by 12 months 12.00
Estimated labor charges Fy12 $ 13,853.37
Fiscal Year 13 budget for Laboı $ 185,769.23
Divided by 12 months 12.00
Estimated labor charges Fy 13 $ 15,480.77

(D) Fuel Hedging Gain/loss - Hedging Contract is in place thru 09.30.12

(E) Lube oil is based on FY 12 Budget of $2,134,440 & FY 13 Budget of $2,134,440

(F) Sale to Matson
Average No. of Barrels for FY 2011 4145
Multiplied by $2.03 for handling fee and $4.20 for bunker fee plus 15% mark

G) Inventory Growth calculated as follows:
07/31/12 vs. 01/31/13

Description	Barrels	Unit cost	Amount
Estimated ending inventory as of 01/31/13	489,199	97.283	$ 47,590,637
Estimated ending inventory as of 07/31/12	489,199	101.988	$ 49,892,507
Change in fuel inventory	-	(4.705)	$ (2,301,869)
Amount recoverable for 6 months			$ (2,301,869)
Divided by 6 months-to recover every month			$ (383,644.91)

GUAM POWER AUTHORITY
Inventory Effect of Number Six Costs

Schedule 6

		Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Ending
Layer 1	Inventory (bbls)	240,000	24,776	-	-	-	-	-
	Price/Bbl	102.43	102.43	102.43	102.43	102.43	102.43	102.43
Layer 2	Inventory (bbls)	240,000	240,000	38,043	-	-	-	0
	Price/Bbl	101.55	101.55	101.55	101.55	101.55	101.55	101.55
Layer 3	Inventory (bbls)	240,000	240,000	240,000	62,046.00	-	-	-
	Price/Bbl	98.89	98.89	98.89	98.89	98.99	98.89	98.89
Layer 4	Inventory (bbls)	240,000	240,000	240,000	240,000	88,171.48	-	0
	Price/Bbl	98.39	98.39	98.39	98.39	98.39	98.39	98.39
Layer 5	Inventory (bbls)	240,000	240,000	240,000	240,000	88,171	-	0
	Price/Bbl	98.01	98.01	98.01	98.01	98.01	98.01	98.01
Layer 6	Inventory (bbls)	240,000	240,000	240,000	240,000	240,000	197,723	0
	Price/Bbl	97.67	97.67	97.67	97.67	97.67	97.67	97.67
Layer 7	Inventory (bbls)	240,000	240,000	240,000	240,000	240,000	240,000	216,709
	Price/Bbl	97.67	97.67	97.67	97.67	97.67	97.67	97.67
Total Consumption (bbls)		215,224	226,734	215,997	213,875	216,620	221,014	1,311,462.36
Total Barrels	Layer 1	215,224	24,776	0	0	0	0	
	Layer 2	0	201,957	38,043	0	0	0	
	Layer 3	0	0	177,954	62,046	0	0	
	Layer 4	0	0	0	151,829	88,171	0	
	Layer 5	0	0	0	0	88,171	0	
	Layer 6	0	0	0	0	42,277	197,723	
	Layer 7	0	0	0	0	0	23,291	
	Total	215,224	226,734	215,997	213,875	218,620	221,014	
Cost	Layer 1	$22,045,470	$2,537,843	$0	$0	$0	$0	
	Layer 2	-	20,507,930	3,863,075	-	-	-	
	Layer 3	-	-	17,598,228	6,135,854	-	-	
	Layer 4	-	-	-	14,938,713	8,675,369	-	
	Layer 5	-	-	-	-	8,641,457	-	
	Layer 6	-	-	-	-	4,129,343	19,312,308	
	Layer 7	-	-	-	-	-	2,274,903	
	Total	$22,045,470	$23,045,773	$21,461,303	$21,074,567	$21,446,169	$21,587,210	$130,660,492
	Price Per Barrel	$102.43	$101.64	$99.36	$98.54	$98.10	$97.67	$99.63

	$/Bbl											
May-12	115.61	Actual	Latest Platts------	-	4.499	6.501	5.200	1.00	-	-	5.20
Jun-12	102.43	Forecast		682.80	4.499	6.501	5.200	1.00	-	-	5.20
Jul-12	101.55	Forecast		632.00	4.499	6.501	5.200	1.00	632.00	97.23	102.43
Aug-12	98.89	Forecast		626.25	4.499	6.501	5.200	1.00	626.25	96.35	101.55
Sep-12	98.39	Forecast		609.00	4.499	6.501	5.200	1.00	609.00	93.69	98.89
Oct-12	98.01	Forecast		605.75	4.499	6.501	5.200	1.00	605.75	93.19	98.39
Nov-12	97.67	Forecast		603.25	4.499	6.501	5.200	1.00	603.25	92.81	98.01
Dec-12	97.67	Forecast		601.08	4.499	6.501	5.200	1.00	601.08	92.47	97.67
Jan-13	96.89	Forecast		601.08	4.499	6.501	5.200	1.00	601.08	92.47	97.67
Feb-13	96.89	Forecast		596.00	4.499	6.501	5.200	1.00	596.00	91.69	96.89
Mar-13	96.89	Forecast		596.00	4.499	6.501	5.200	1.00	596.00	91.69	96.89
Apr-13	96.28	Forecast		596.00	4.499	6.501	5.200	1.00	596.00	91.69	96.89
				592.00	4.499	6.501	5.200	1.00	592.00	91.08	96.28

Note: Fuel forecast was based Morgan Stanley
Energy Noon Call Asia on Sing HSFO 180CST
dated 05/31/12

Balance as of 04.30.12	HSFO/LSFO	693,544.34	115.61	80,179,208.67

Ending Balance as of 04.30.12

LSFO		# of barrels	Unit Cost	Extended Cost
Tank 1934	213,100.08	74,944.16	$ 109.44	$ 8,201,783.50
Tank 1910	10,967.85	81,626.59	$ 104.08	$ 8,495,696.04
Tank 1911	31,299.64	50,699.61	$ 114.48	$ 5,804,314.63
Pipeline	156.55	48,253.74	$ 117.97	$ 5,692,307.21
Sub total	255,524.10	255,524.10	$ 110.34	28,194,301.38
Plants		23,634.76	$ 108.63	$ 2,567,329.98
Total LSFO		279,158.86	$ 110.19	$ 30,761,631.36
HSFO				
1902 tank	216,127.78	-	$ -	$ -
1935	141,762.93	140,372.64	$ 119.51	$ 16,775,842.08
	357,890.71	232,308.77	$ 119.53	$ 27,768,385.23
Pipelines	14,874.05	-	$ -	$ -

Schedule 7

GPA Price Forecast
Diesel

		Bid Offer	Bid Reference Price	Premium	Gallons per year per location (000) / Total gallons per year (000)		Weighted Premium
(A)	Fast Tracts	2.203	1.543	0.66	280 / 4380	=	0.042
(B)	Baseloads	2.204	1.543	0.661	200 / 4380	=	0.030
(C)	TEMES	2.144	1.543	0.601	2500 / 4380	=	0.343
(D)	Tenjo Vista	2.253	1.543	0.71	1400 / 4380	=	0.227
	Average premium fee per gallon						0.642
	# of gallons per barrel						42.00
	Premium per barrel						26.96

Premium fee $ 26.96 Effective March 2010

				Forecast		
Aug-12	$	141.06	Forecast	114.10	1	114.10
Sep-12	$	140.91	Forecast	113.95	1	113.95
Oct-12	$	140.81	Forecast	113.85	1	113.85
Nov-12	$	140.76	Forecast	113.80	1	113.80
Dec-12	$	140.76	Forecast	113.80	1	113.80
Jan-13	$	140.69	Forecast	113.73	1	113.73
Feb-13	$	140.69	Forecast	113.73	1	113.73

FUEL HEDGING PROGRAM
GAIN/(LOSS)

GPA HEDGING CALCULATION

FY 2012	Trade Date	Month	Cap. Price	Floor Price	Platt's Posted Price HSFO 180 cst $/MT	Diff. between Platts Price vs. Cap/Floor $	Contract Quantity MT	GPA GAIN / (LOSS) ($)
J Aron	12/5/2007	January	$520.00	$440.00	458.720	$0.000	9,989	$ -
Morgan	1/14/2008	January	$519.00	$457.00	458.720	$0.000	9,989	$ -
	PROJECTED NET GPA GAIN/(LOSS)							$ -
J Aron	12/5/2007	February	$520.00	$440.00	464.500	$0.000	9,989	$ -
Morgan	1/14/2008	February	$519.00	$450.75	464.500	$0.000	9,989	$ -
	PROJECTED NET GPA GAIN/(LOSS)							$ -
J Aron	12/5/2007	March	$520.00	$440.00	467.250	$0.000	9,989	$ -
Morgan	1/14/2008	March	$519.00	$454.50	467.250	$0.000	9,989	$ -
	PROJECTED NET GPA GAIN/(LOSS)							$ -
J Aron	1/17/2008	April	$522.00	$438.75	546.007	$24.007	9,989	$ 239,325.78
	Actual NET GPA GAIN/(LOSS)							$ 239,325.78
J Aron	1/17/2008	May	$522.00	$438.75	613.280	$91.280	9,989	$ 909,970.32
	Actual NET GPA GAIN/(LOSS)							$ 909,970.32
J Aron	1/17/2008	June	$522.00	$438.75	646.758	$124.758	9,989	$ 1,243,712.50
	Actual NET GPA GAIN/(LOSS)							$ 1,243,712.50
Goldman	3/24/2008	July	520.00	486.50	734.012	$214.012	9,989	$ 2,133,485.63
Morgan	5/23/2008	July	710.00	618.25	734.012	$24.012	9,989	$ 239,375.63
	Actual NET GPA GAIN/(LOSS)							$ 2,372,861.26
Goldman	3/24/2008	August	520.00	486.50	673.550	$153.550	9,989	$ 1,530,739.95
Morgan	5/23/2008	August	710.00	618.25	632.00	$0.000	9,989	$ -
	Actual NET GPA GAIN/(LOSS)							$ 1,530,739.95
Goldman	3/24/2008	September	520.00	486.50	592.97	$72.970	9,989	$ 727,437.93
Morgan	5/23/2008	September	710.00	618.25	592.97	($25.280)	9,989	$ (252,016.32)
	Actual NET GPA GAIN/(LOSS)							$ 475,421.61
	Total for FY 2008							$ 6,772,031.42
J Aron	19-Aug-11	August	667.00	558.50	609.000	$0.000	10,000	$ -
J Aron	18-May-12	August	712.00	569.50	609.000	$0.000	10,000	$ -
	PROJECTED NET GPA GAIN/(LOSS)							$ -
J Aron	19-Aug-11	September	667.00	558.50	605.750	$0.000	10,000	$ -
J Aron	18-May-12	September	712.00	569.50	605.750	$0.000	10,000	$ -
	PROJECTED NET GPA GAIN/(LOSS)							$ -
	Grand Total							$ -

FY 2013	Trade Date	Month	Cap. Price	Floor Price	$/MT	$	MT	($)
J Aron	5/18/2012	October	712.00	569.50	603.250	$0.000	10,000	$ -
		October				$0.000		$ -
		October				$0.000		$ -
	PROJECTED NET GPA GAIN/(LOSS)							$ -
J Aron	5/18/2012	November	712.00	569.50	601.080	$0.000	10,000	$ -
		November				$0.000		$ -
		November				$0.000		$ -
	PROJECTED NET GPA GAIN/(LOSS)							$ -
J Aron	5/18/2012	December	712.00	569.50	601.080	$0.000	10,000	$ -
		December				$0.000		$ -
		December				$0.000		$ -
	PROJECTED NET GPA GAIN/(LOSS)							$ -
		January			596.000	$596.000		$ -
						$0.000		$ -
	PROJECTED NET GPA GAIN/(LOSS)							$ -

Schedule 8b

GPA HEDGE CONTRACTS

	Trade	Quantity	Period	Ceiling		Floor	
		MT		$/MT	$/Bbl	$/MT	$/Bbl
Morgan Stanley	5/27/2009	9,969	07/01/09 - 09/30/09	$ 390.00	$ 59.09	$ 343.00	$ 51.97
BP Singapore	6/12/2009	9,969	10/01/09 - 12/31/09	455.00	68.94	381.50	57.80
Morgan Stanley	7/6/2009	9,969	10/01/09 - 12/31/09	428.00	64.85	360.75	54.66
Morgan	7/8/2009	9,969	01/01/10 - 03/31/10	416.00	63.03	358.75	54.36
Morgan	9/22/2009	9,969	01/01/10 - 03/31/10	462.00	70.00	403.65	61.16
Morgan	9/22/2009	9,969	04/01/10 - 06/30/10	462.00	70.00	410.40	62.18
Morgan Stanley	1/28/2010	9,969	04/01/10 - 06/30/10	503.50	76.29	437.25	66.25
Morgan Stanley	2/8/2010	9,969	07/01/10 - 09/30/10	489.00	74.09	426.00	64.55
Morgan Stanley	5/7/2010	9,969	07/01/10 - 09/30/10	531.50	80.53	448.50	67.95
ANZ	6/4/2010	9,969	10/01/10 - 12/31/10	506.00	76.67	434.00	65.76
Morgan Stanley	6/24/2010	9,969	01/01/11 - 03/31/11	516.00	78.18	424.25	64.28
ANZ	6/302010	9,969	01/01/11 - 03/31/11	503.00	76.21	427.75	64.81
ANZ	8/20/2010	9,969	04/01/11 - 06/30/11	517.00	78.33	432.25	65.49
J Aron	8/25/2010	9,969	04/01/11 - 06/30/11	502.00	76.06	426.25	64.58
J Aron	11/18/2010	9,969	07/01/11 - 09/30/11	543.00	82.27	465.00	70.45
J Aron	11/19/2010	9,969	07/01/11 - 09/30/11	549.00	83.18	466.75	70.72
ANZ	5/6/2011	5,000	10/01/11 - 12/31/11	684.00	103.64	564.50	85.53
ANZ	5/19/2011	5,000	10/01/11 - 12/31/11	689.00	104.39	578.25	87.61
J Aron	5/20/2011	10,000	10/01/11 - 12/31/11	682.00	103.33	573.50	86.89
J Aron	6/24/2011	10,000	01/01/12 - 03/31/12	679.00	102.88	553.00	83.79
Morgan Stanley	6/28/2011	10,000	04/01/12 - 06/30/12	676.00	102.42	569.50	86.29
Goldman Sachs	8/10/2011	10,000	04/01/12 - 06/30/12	663.00	100.45	579.90	87.86
J Aron	8/19/2011	10,000	07/01/12 - 09/30/12	667.00	101.06	558.50	84.62
J Aron	5/18/2012	10,000	07/01/12 - 12/30/12	712.00	107.88	569.50	86.29
J Aron	6/8/2012	10,000	10/01/12 - 12/30/12	646.00	97.88	523.50	79.32
Morgan Stanley	6/6/2012	10,000	1/01/13 - 3/31/13	640.00	96.97	511.00	77.42

LEAC Rates Applicable to Different Sales Level
February 2012 thru July 2012

		Adjusted LEAC Rate		Cost Shift
1	Total Sales -MWH		624,617	
2	Less: Sales			
3	Primary (3% Discount) (Line 18*.97)	$ 0.180900	16,781	$ 3,035,678
4	34.5 (4% Discount) (Line 18*.96)	$ 0.179035	14,377	2,573,927
5	115 (5% Discount) (Line 18 * .95)	$ 0.177170	16	2,835
6	Net Sales - MWh		593,443	$ 5,612,439
7				
8	Total Civilian Fuel Cost		$ 111,623,954	
9	Over/(Under) Recovery		4,864,007	
10	Less: Fuel Costs Recovery from Discounted Customers		(5,612,439)	
11				
12	Civilian Fuel Cost (Net of Discounted Customers)		$ 110,875,521	
13				
14	LEAC Rate without discount(Line 8 +9/Line 5)		$ 0.186495	
15	LEAC Rate with discount(Line12//Line10)		$ 0.186834	