BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

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

Background and Procedural History of this Docket

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

2. GPA also requests adoption of four rate design proposals as part of its Filing: (1) Increasing Kilowatt based demand rates; (2) Increasing the customer charge on all rate schedules, except for the Residential rate schedule (ordered in GPA Docket 11-09); (3) Moving residential and commercial rates closer to rate parity as determined by the cost-of-service study; and (4) Introducing a decoupling rate mechanism for possible future implementation (by ALJ Order, rate decoupling will be considered in a separate docket and not as a part of this rate case).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Stipulation

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

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

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

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

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

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

Determinations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

45. The PUC adopts the findings, and reasoning of the ALJ concerning his recommendation that GPA's proposed "Schedule C" Net Metering Tariff be rejected. GCG has demonstrated that there is no evidence provided by GPA that the current interim Net-Metering Rider isn't performing exactly as the GPUC and Guam policy makers anticipated or that there are any unexpected consequences from its operations. The intent of the Guam Legislature is to "(a) encourage private investment in renewable energy resources; (b) stimulate economic growth; and (c) enhance the continued diversification of the renewable energy resources used on Guam (P.L. 27-132).

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

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

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

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

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

Ordering Provisions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dated this 24th day of September, 2013.

Jeffrey C. Johnson
Chairman

Joseph M. McDonald
Commissioner

Rowena E. Perez
Commissioner

Peter Montinola
Commissioner

Michael A. Pangelinan
Commissioner

BEFORE THE
PUBLIC UTILITIES COMMISSION OF GUAM

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

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

Background

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

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

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

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

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

Revenue Requirements

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

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

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

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

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

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

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

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

9. Exhibit A attached hereto summarizes the agreed adjustments.

Rate Design Issues

10. **Cost Allocation Issues**

A. Customer Weighting Factors

i. The Parties agree that GPA will provide new customer weighting factors for use in the TLCOSS and CCOSS in GPA's next multi-year base rate proceeding.

ii. The newly developed customer weighting factors will include, but will not be limited to, the influence of GPA's deployment of Advanced Metering Infrastructure (AMI) on customer-related costs for Navy and for each class of civilian service.

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

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

A. Class Revenue Requirements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Net Metering

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

Navy Issues

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

SO STIPULATED this 18th day of September, 2013.

GEORGETOWN CONSULTING GROUP, INC.

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

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

GUAM POWER AUTHORITY

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

ATTACHMENT: EXHIBIT A

GPUC Docket 11-09
($000s)

Exhibit A
Exhibit GCG-1

Date:
Public Utilities Commission of Guam

Test Year: 2014
Individual Responsible:
Georgetown Consulting Group

Row #	Description		GPA Phase 2 Proposed FY 2014 (A)		Labor Adjustment (B)	WCF Rate Decrease (C)	Working Capital (D)		Other O&M (E)	TECP (F)	Barclay (G)		Target Subordinate (H)		GCG Phase 2 Proposed FY 2014 Sum A-H
1	**% Increase on Total Bill**		2.3%												1.9%
2															
3	**Proforma Income Statement:**														
4	Existing Base Rate Revenues	$	150,181											$	150,181
6	Fuel Revenues		323,664												323,664
7	Addl Revenues from Smart Grid Implem.		4,142												4,142
8	WCF Surcharge		7,954			(1,039)									6,915
9	Miscellaneous Revenues		2,010												2,010
10	**Revenue from Allowed Rate Change**														
11	% Of Base Rate Revenue		7.3%												6.0%
12	Number of Months Rate Change Effective		12												12
13	Amount of Additional Revenues		10,938									$	(1,900)		9,038
14	**Total Revenues**	$	498,889											$	495,950
15															
16	Production Fuel	$	323,664											$	323,664
17	IPP Costs		18,250												18,250
18															
19	Production Non-fuel	$	24,027	$	(225)			$	(82)					$	23,721
20	Transmission and Distribution		12,576	$	(118)				(43)						12,416
21	Administrative and General		35,396	$	(331)				(120)						34,945
22	Customer Accounting		5,615	$	(52)				(19)						5,543
23	**Total O&M Expenses**	$	77,614	$	(726)			$	(263)					$	76,625
24	Depreciation		34,924												34,924
25	Payments Made In Lieu of Taxes		-												-
26															
27	**Total Operating Expenses**	$	454,452											$	453,463
28															
29	Earnings From Operations	$	44,437											$	42,487
30															
31	Other Revenues (Expenses):														
32	Investment Income	$	2,294											$	2,294
33	Interest expense (ST Debt)		(838)							838	(840)				(840)
34	Interest expense (1993/1999 Revenue Bonds)		-												-
35	Interest expense (2010 Senior Lien TE Bond)		(7,999)												(7,999)
36	Interest expense (2010 Sub. Taxable Bond)		(2,048)												(2,048)
37	Interest expense (2012 Revenue Bond)		(17,000)												(17,000)
38	Interest expense (2014 Revenue Bond)		-												-
39	Interest expense (IPP's)		(10,020)												(10,020)
40	AFUDC		1,670												1,670
41	Amortization of Issuance Costs		347												347
42	Other Income (Expense)		-												-
43															
44	**Net Earnings/Loss Before Capital Contrib.**	$	10,843											$	8,890
45															
46	**Capital Contributions**														
47	DOE Smart Grid Funding		1,943												1,943
48	Other Grant Funded CIP		-												-
49															
50	**Increase (Decrease) in Net Assets**	$	12,786											$	10,833
51															
52						**DEBT SERVICE COVERAGE CALCULATION WITH IPP ACCOUNTING CHANGE**									
53															
54															
55	Earnings From Operations	$	44,437											$	42,487
56	Add Interest Income (Net of Const. Fund Interest)		1,675												1,675
57	Add Depreciation		34,924												34,924
58	**Balance Available for Debt Service**	$	81,036											$	79,086
59															
60	Senior Bond Interest	$	24,999											$	24,999
61	Senior Bond Principal		455												455
62	**Total Senior Debt Service**	$	25,454											$	25,454
63															
64	**Debt Service Coverage (Senior Bonds)**		3.18												3.11
65															
66	Total Debt Service (Senior and Subordinate)														
67	Total Bond Interest	$	13,600											$	13,600
68	Total Bond Principal		27,047												27,047
69	**Total Debt Service**	$	40,647											$	40,647
70															
71	**Debt Service Coverage (Subordinate Bonds)**		1.99												1.95
72															

GPUC Docket 11-09
($000s)

Exhibit A
Exhibit GCG-1

Date:
Public Utilities Commission of Guam

Test Year: 2014
Individual Responsible:
Georgetown Consulting Group

Row #	Description	GPA Phase 2 Proposed FY 2014	Labor Adjustment	WCF Rate Decrease	Working Capital	Other O&M	TECP	Barclay	Target Subordinate	GCG Phase 2 Proposed FY 2014
73		DEBT SERVICE COVERAGE CALCULATION WITHOUT IPP ACCOUNTING CHANGE								
74										
75	**Senior Debt Coverage**									
76	Earnings From Operations	$ 44,437								$ 42,487
77	Add Interest Income (Net of Const. Fund Interest)	1,675								1,675
78	Add Depreciation	34,924								34,924
79	Less IPP Interest and Principal	23,084								23,084
80										
81	**Balance Available for Debt Service**	$ 57,952								$ 56,001
82	**Debt Service:**									
83	Senior Bond Interest Expense	$ 24,999								$ 24,999
84	Senior Bond Principal	455								455
85	Total Senior Debt Service	$ 25,454								$ 25,454
86										
87	**Senior DSC (Rating Agency Method)**	2.28								2.20
88										
88	**Rating Agency Method:**									
89	Earnings From Operations	$ 44,437								$ 42,487
90	Add Interest Income (Net of Const. Fund Interest)	1,675								1,875
91	Add Depreciation	34,924								34,924
92	Less IPP Interest and Principal	23,084								23,084
93	**Balance Available for Debt Service**	$ 57,952								$ 56,001
94	**Debt Service:**									
95	Bond Interest Expense	$ 13,600								$ 13,600
96	Bond Principal	27,047								27,047
97	Total Debt Service	$ 40,647								$ 40,847
98										
99	**DSC (Rating Agency Method)**	1.43								1.38
100										
101										
102	**Internal Cash flow Statement:**									
103	Total Cash Generated	$ 43,750								$ 41,798
104	CIP's-Internally Funded	(12,416)								(12,416)
105	Principal Payment (2010 Senior Lien TE Bond)	0								-
106	Principal Payment (2010 Sub Lien Taxable Bond)	(13,145)								(13,145)
107	Principal Payment (2012 Revenue Bonds)	(455)								(455)
108	Principal Payment (IPP's)	(13,064)								(13,064)
109	TECP Paydown	(1,129)								(1,129)
110	Materials Inventory	(1,176)								(1,176)
111	Other Working Capital Requirement	(610)			158					(451)
112	WC Fund Funding Requirement-Non Fuel	(97)		97						-
113	WC Fund Funding Requirement-Fuel (FY 14)	(1,039)		1,039						-
114	Construction Fund Interest Income	(619)								(619)
115										
116	**Annual Cash (Deficiency)/Surplus**	$ 1								$ (658)
117	Cash Available Jun30, 2013									1,403
118	**Total Cash**									$ 745