

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF:

The Application of the Guam Power  
Authority for Approval of the Utility  
Services Contract (USC) with US Navy.

)  
) GPA Docket 22-06  
)

) **ALJ REPORT**  
)  
)  
)



**INTRODUCTION**

1. This matter comes before the Guam Public Utilities Commission [PUC] upon the Petition of the Guam Power Authority ["GPA"] requesting Approval of the Utility Services Contract (USC) with the U.S. Navy.<sup>1</sup>
2. The present Utility Services Contract under which GPA currently provides electric service to the U.S. Navy will expire on July 31, 2022.<sup>2</sup>

**BACKGROUND**

3. The Navy is GPA's largest customer.<sup>3</sup> In the last 12 months, GPA received revenues from the Navy for the Base Rate in the amount of \$19.2M and Fuel Payments in the amount of \$43.7M, for total revenue of \$62.9M.<sup>4</sup>
4. Under the existing USC, GPA has received as much as \$70M in revenue per year.<sup>5</sup>

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<sup>1</sup> GPA Petition for Approval of the Utility Services Contract with the U.S. Navy, GPA Docket 22-06, filed January 27, 2022.

<sup>2</sup> Issues for Decision, CCU Board packet for January 25, 2022 Meeting, at p. 117.

<sup>3</sup> Id.

<sup>4</sup> Guam Power Authority Presentation to the Consolidated Commission on Utilities on the Navy Utility Service Contract, January 20, 2022, at p. 2.

<sup>5</sup> Guam Power Authority Presentation to the CCU on the Navy Utility Service Contract, July 10, 2012, pgs. 7 & 9.



5. Previously, there was a Customer Services Agreement (CSA) in effect between GPA and the Navy from August 1992 through July 31, 2012.<sup>6</sup>
6. The present Utility Services Agreement, was signed in July 2012 and expires, as previously indicated, on July 31, 2022.<sup>7</sup>
7. The first Utility Services Contract was approved by the PUC in GPA Docket 12-08.<sup>8</sup> The PUC recognized that the USC would provide “a consistent revenue stream to GPA that supplements the remainder of its customer base.”<sup>9</sup>
8. The PUC also found that the USC would “enable GPA, as the sole company charged with operating and maintaining the Island-Wide Power System (IWPS), to render adequate and efficient electric service to support the DoD’s military mission.” The Contract was also advantageous to GPA, in that it recognized GPA as the “unique service provider for the military on Guam, the only service provider, unlike other jurisdictions in the nation.”<sup>10</sup>
9. GPA and the Navy have successfully negotiated a new contract for GPA to provide electric utility services to Navy’s facilities for the next 10 years, from August 1, 2022, to July 31, 2032.<sup>11</sup>
10. GPA has attached a copy of the proposed USC to its Petition.<sup>12</sup>

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<sup>6</sup> Guam Power Authority Presentation to the Consolidated Commission on Utilities on the Navy Utility Service Contract, January 20, 2022, at p. 4.

<sup>7</sup> Id.

<sup>8</sup> PUC Order, GPA Docket 12-08, GPA Petition for Approval of USC with the U.S. Navy, dated July 30, 2012.

<sup>9</sup> Id., at p. 2.

<sup>10</sup> Id.

<sup>11</sup> Issues for Decision, CCU Board packet for January 25, 2022 Meeting, at p. 117.

<sup>12</sup> GPA Petition for Approval of the Utility Services Contract with the U.S. Navy, GPA Docket 22-06, filed January 27, 2022, Guam Power Authority Utility Services Contract 2022 (Pending Approval).



11. Attached hereto as Exhibit “1” is the Presentation which GPA made to the Guam Consolidated Commission on Utilities on January 20, 2022.<sup>13</sup>
12. On January 25, 2022, the Guam Consolidated Commission on Utilities adopted GPA Resolution FY2022-06, which found that the USC between GPA and U.S. Navy was “reasonable and prudent.” The General Manager of GPA was authorized, subject to PUC approval, to execute the GPA-Navy Utility Services Contract.<sup>14</sup>

### ANALYSIS

13. Under the USC, both GPA and the Navy receive mutual benefits and advantages.
14. Navy receives the benefit of adequate and efficient electric service to support its mission, and a mechanism for GPA to provide power system support for Navy distribution systems upon request by the Navy.<sup>15</sup>
15. Navy has agreed to transfer certain generation and transmission facilities to GPA. Tables 3, 4, and 5 provide, respectively, “Navy Joint Use Generation and Transmission Facilities”, “Navy 13.8 kv Distribution and 34.5 kv Assets to be Transferred to GPA, and “Navy Joint Use Assets Not Incorporated in Lease Table 3 and Table 4 to be Transferred to GPA”.<sup>16</sup>
16. The USC provides GPA with guaranteed demand and assured revenues. Articles 13 and 14 establish annual Navy minimum demands for GPA to forecast expected revenues. Navy current demand is approximately 43MW.<sup>17</sup>

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<sup>13</sup> Guam Power Authority Presentation to the Consolidated Commission on Utilities on the Navy Utility Service Contract, January 20, 2022.

<sup>14</sup> GPA Resolution No. FY2022-06, Authorizing the Guam Power Authority to Seek PUC Approval to Execute the GPA Navy Utility Services Contract, adopted and approved on January 25, 2022.

<sup>15</sup> Id., at p. 1.

<sup>16</sup> Guam Power Authority Utility Services Contract 2022, Table 3, 4, and 5.

<sup>17</sup> Id., at Articles 13 and 14; see also Guam Power Authority Presentation to the Consolidated Commission on Utilities on the Navy Utility Service Contract, January 20, 2022, at p.116.



17. As to GPA compensation, GPA may submit invoices to NAVFAC Marianas for the Navy share of the fuel cost every seven (7) days. The Navy will make weekly payments seven (7) calendar days after receipt of a proper invoice. The summary billing will be submitted by GPA to Navy monthly, which offsets the fuel payments made by the Navy during the billing month.<sup>18</sup>
18. Regarding billings for Electric Utility Service, GPA will bill monthly. The billing will be provided to Navy within twenty-one (21) working days of the end of the month. All bills are due and payable within fifteen (15) days after presentation. There are late payment charges as are required of other customers of GPA.<sup>19</sup>
19. The provisions of the USC continue to recognize the Guam Public Utilities Commission as “an eligible regulatory body in accordance with FAR 52.241-7”; “the Navy accordingly agrees to comply with the current regulations, practices and decision of the PUC concerning accounting practices, allowability of costs, cost allocation, pricing and rates, settlement charges, and other charges and fees subject to appeal to the Guam Superior Court and continuing through normal judicial channels.”<sup>20</sup>
20. The Navy further recognizes the authority of the PUC to set base rates for GPA electricity service, to perform cost of service studies, to calculate and invoice fuel rates for Navy, and to change Navy rates through rate proceedings governed by PUC procedures.<sup>21</sup> Procedures for changes in rates are addressed as well as the applicability of procedures before the PUC.<sup>22</sup>

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<sup>18</sup> Guam Power Authority Utility Services Contract 2022, Id., at Article 5.

<sup>19</sup> Id., at Article 21.6.

<sup>20</sup> Id., at Article 12.1.

<sup>21</sup> Id., at Articles 12.2, 12.3, 12.4, and 12.5.

<sup>22</sup> Id., at Article 12.6.



21. In Appendix A to the USC, a “Procedures for Developing the Cost to Serve the Navy and Determining Navy Rates” is set forth.<sup>23</sup> These procedures concern appropriate accounting procedures for determination of various rate base elements.

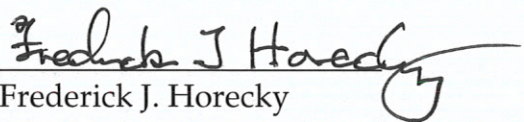
### **RECOMMENDATION**

22. The ALJ recommends that the PUC approve the Utility Services Contract between the Guam Power Authority and the U.S. Navy.

23. In the exercise of due diligence, the parties have carefully negotiated their utilities contract and reached a fair accommodation which protects the interests of both parties and the ratepayers.

24. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 8<sup>th</sup> day of February 2022.

  
Frederick J. Horecky  
Chief Administrative Law Judge

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<sup>23</sup> Id., at Appendix A.





**GUAM POWER AUTHORITY**

**PRESENTATION TO THE**

**CONSOLIDATED COMMISSION ON UTILITIES**

**ON THE**

**NAVY UTILITY SERVICE CONTRACT**

**January 20, 2022**





# NAVY REVENUES

Base Rate: \$19.2 million  
Fuel Payments: \$43.7 million  
(Last 12 months)





## NEGOTIATION TEAM

### GPA

- John Benavente— General Manager
- Melinda Mafnas – AGMO
- Joven Acosta – Manager, Engineering
- JR Gumataotao – Rights of Way Supervisor
- Maripaz Perez – Assistant CFO
- John Kim – Chief Financial Officer
- Tricee Limtiaco – AGMA
- James Borja – Utility Services Administrator
- John Cruz - AGMETS
- Jennifer Sablan – SPORD Manager
- Graham Botha – Legal Counsel
- Candice Ananich – Management Analyst III

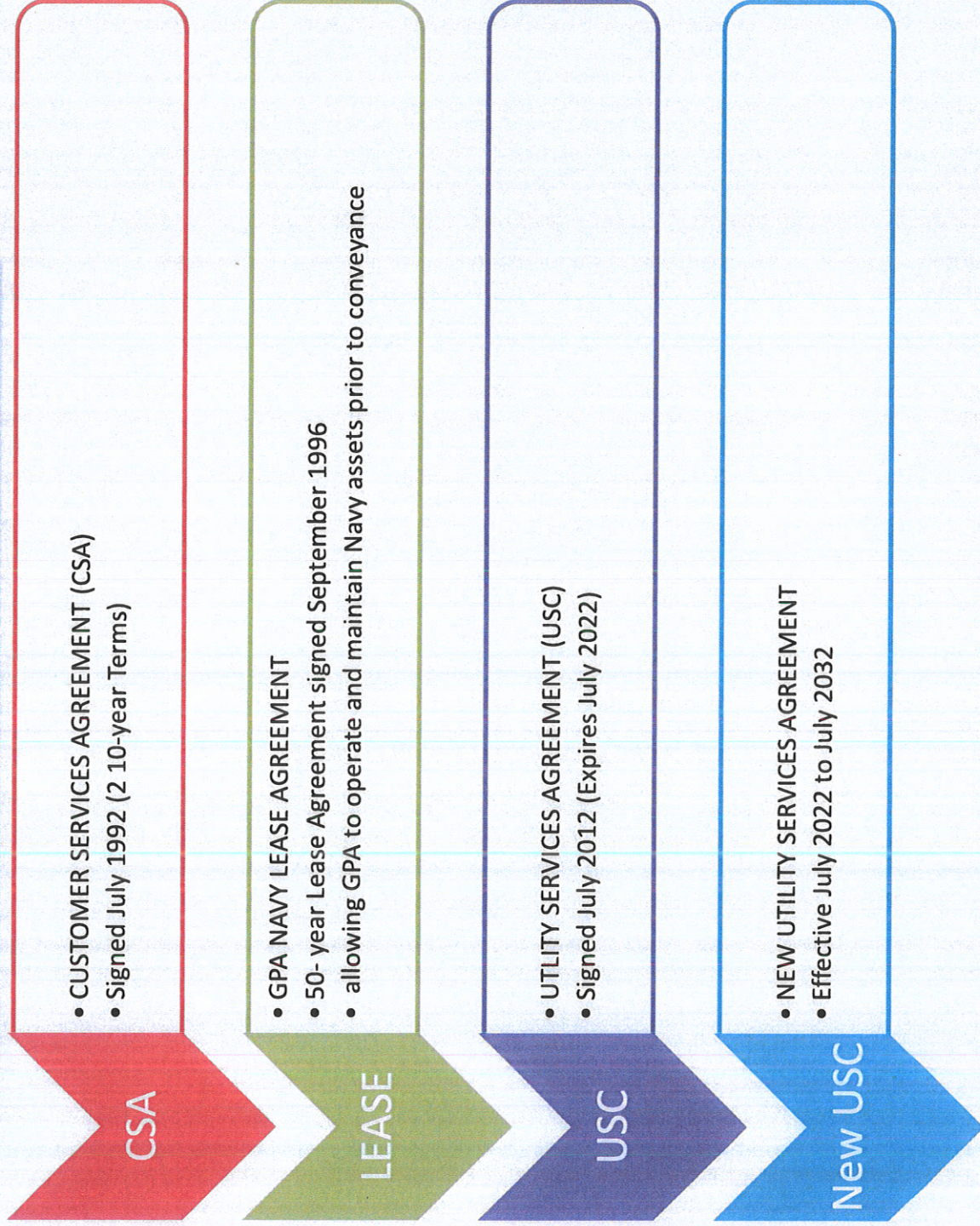
### Navy

- Matthew Blaz
- Victoria Zialcita
- Arlene Aromin
- Patricia Borja
- Karianne Camacho
- Glen Camacho
- John Aguon
- Christopher Odoca





# GPA NAVY HISTORY







# ARTICLES

- Summary**
- 22 Articles**
- Added Article 22: Cyber Security**
- 5 Tables**
- 2 Appendices**

- Table 1 – GPA Points of Delivery
- Table 2 – Distribution, Emergency and Stand-by Facilities to be Retained by Navy
- Table 3 – Navy Joint Use Generation and Transmission Facilities
- Table 4 – Navy 13.8 kV Distribution and 34.5 kV Assets to be Transferred to GPA
- Table 5 – Navy Joint Use Assets Not Incorporated in Lease Table 3 and Table 4 to be transferred to GPA





# ARTICLES

Article 1 – Recitals

Article 2 – Definitions

Article 3 – Services Navy Will Provide and  
Navy Will Make Available

Article 4 – Navy Compensation for Services

Article 5 – GPA Compensation

Article 6 – Effective Date and Term

Article 7 – Forecasts of Reimbursable Costs

Article 8 – Dispatch and Control of Navy

Dedicated Use Facilities

Article 9 – Dispatch and Control of Navy Joint

Use Facilities

Article 10 – Force Majeure

Article 11 – Notices

Article 12 – Rates and Regulation

Article 13 – Changes in Navy Service  
Requirements

Article 14 – Navy Billing Demands

Article 15 – Power Factor Adjustment

Article 16 – Load Shedding Schedule

Article 17 – Load Restoration Schedule

Article 18 – Termination Liability

Article 19 – Disputes Resolution

Article 20 – Wheeling and Service  
Exchange

Article 21 – Service Rules and  
Regulations

Articles 22 - Cyber Security

Appendix A – Procedures for

Developing the Cost to Serve the

Navy and Determining Navy Rates

Appendix B – Fuel Clause Applicable to  
Navy Agreement





# USC HIGHLIGHTS

Highlights	Comments
Establishes 33 points of delivery for power to the Navy (Table 1)	18 Transmission level metering points (metered at 34.5 kV Transformers) 15 distribution level metering points (metered at 13.8 kV)
Establishes annual Navy minimum demands for GPA to forecast expected revenues (Articles 13 & 14)	Navy current demand is approximately 43 MW
Provides for the transfer of Navy assets in compliance with US Public law 100-202 regarding environmental clean-up of sites (Article 3, Tables 3,4,5)	Tables 3, 4 and 5, comprise all of the property intended to be permanently transferred to GPA by the UNITED STATES pursuant to the authority provided by Public Law 100-202 at no compensation to Navy. . . assets may be identified for future transfer from Navy to GPA, at no compensation to Navy.
Provides a mechanism for GPA to provide power system support for Navy distribution systems upon request by the Navy (Article 8);	Navy can request additional operational and maintenance services or inspection of these facilities.
Recognizes and identifies the Public Utilities Commission as the regulating body for establishing electric service rates for GPA customers (Article 12)	PUC is acknowledged to be an eligible regulatory body in accordance with the FAR 52.241-7. Accordingly, the Navy agrees to comply with the current regulations, practices and decisions of the PUC . . .





## GUAM POWER AUTHORITY

ATURIDĀT ILEKTRESEDĀT GUĀHAN  
P.O.BOX 2977 • HAGĀTŊA, GUAM U.S.A. 96932-2977

### Issues for Decision

#### Resolution No. FY2022-06:

#### Relative to Authorizing the Guam Power Authority to seek PUC Approval to execute the GPA NAVY Utility Services Contract

##### What is the project's objective and is it necessary and urgent?

The Navy is GPA's largest customer. GPA currently provides electric service to the US Navy under a Utility Services Contract (USC) that was signed on July 31, 2012 and is expiring on July 31, 2022. GPA is the sole provider of electric service to support the Department of Defense's military mission. GPA and the Navy have successfully negotiated a new contract for GPA to provide electric utility services to Navy's facilities for the next 10 years from August 1, 2022 to July 31, 2032.

##### The highlights of the Utility Services Contract include

1. Establishes 33 points of delivery for power to the Navy (Table 1);
2. Establishes annual Navy minimum demands for GPA to forecast expected revenues (Articles 13 & 14);
3. Provides for the transfer of Navy assets in compliance with US Public law 100-202 regarding environmental clean-up of sites (Article 3, Tables 3,4,5);
4. Provides a mechanism for GPA to provide power system support for Navy distribution systems upon request by the Navy;
5. Recognizes and identifies the Public Utilities Commission as the regulating body for establishing electric service rates for GPA customers (Article 12);

##### Where is at?

Department of Defense facilities island-wide; 33 points of delivery.

##### How much will it Cost?

The USC provides a revenue stream for GPA from the Navy who is GPA's largest customer. Over the last 12 months, base revenues from the Navy were \$19.2 million and fuel payments were \$43.7 million.

##### What is the funding Source?

Not applicable

##### When will it be completed?

The start date of the contract will be August 1, 2022.

The contract will expire July 31, 2032