

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
)

)
) **ORDER**
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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.¹
2. The present Utility Services Contract under which GPA currently provides electric service to the U.S. Navy will expire on July 31, 2022.²

BACKGROUND

3. The Navy is GPA's largest customer.³ 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.⁴
4. Under the existing USC, GPA has received as much as \$70M in revenue per year.⁵

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

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

³ Id.

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

⁵ 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, 2012.⁶
6. The present Utility Services Agreement, was signed in July 2012 and expires, as previously indicated, on July 31, 2022.⁷
7. The first Utility Services Contract was approved by the PUC in GPA Docket 12-08.⁸ The PUC recognized that the USC would provide “a consistent revenue stream to GPA that supplements the remainder of its customer base.”⁹
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.”¹⁰
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, 2032.¹¹
10. GPA has attached a copy of the proposed USC to its Petition.¹²

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

⁷ Id.

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

⁹ Id., at p. 2.

¹⁰ Id.

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

¹² 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 to the ALJ Report as Exhibit “1” is the Presentation which GPA made to the Guam Consolidated Commission on Utilities on January 20, 2022.¹³

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.¹⁴

13. The ALJ filed his Report herein dated February 8, 2022. The PUC adopts the conclusions and recommendations therein.

DETERMINATIONS

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.¹⁵

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”.¹⁶

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

¹⁴ 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.

¹⁵ Id., at p. 1.

¹⁶ Guam Power Authority Utility Services Contract 2022, Table 3, 4, and 5.

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.¹⁷
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.¹⁸
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.¹⁹
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.”²⁰
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

¹⁷ 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.

¹⁸ Guam Power Authority Utility Services Contract 2022, Id., at Article 5.

¹⁹ Id., at Article 21.6.

²⁰ Id., at Article 12.1.

PUC procedures.²¹ Procedures for changes in rates are addressed as well as the applicability of procedures before the PUC.²²

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

ORDERING PROVISIONS

After review of the record herein, GPA’s Petition for Approval of the Utility Services Contract (USC) with the U.S. Navy, and the ALJ Report, for good cause shown, on motion duly made, seconded, and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA’s Petition for Approval of the Utility Services Contract (USC) with the U.S. Navy is hereby approved.
2. The General Manager of the Guam Power Authority is hereby authorized to execute any and all documents incidental to executing the GPA-Navy Utility Services Contract.
3. 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 §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

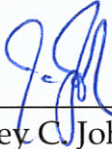
²¹ Id., at Articles 12.2, 12.3, 12.4, and 12.5.

²² Id., at Article 12.6.

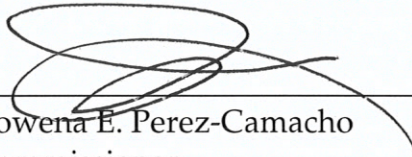
²³ Id., at Appendix A.

Order
Request for approval of
Utility Services Contract with US Navy
GPA Docket 22-06
February 24, 2022

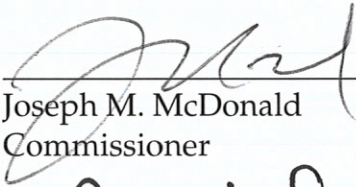
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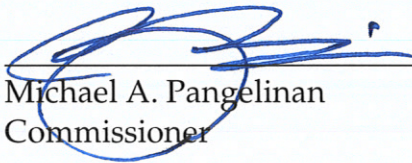
Jeffrey C. Johnson
Chairman



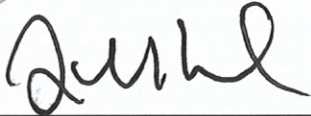
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