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9 **BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

10 **IN THE MATTER OF:**

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

15 **GPA DOCKET NO. 22-06**

16 **PETITION FOR CONTRACT REVIEW**

17 **COMES NOW**, the GUAM POWER AUTHORITY (GPA), by and through its
18 counsel of record, D. GRAHAM BOTHER, ESQ., and hereby files GPA's Petition for the
19 Public Utilities Commission of Guam to review and approve GPA's request for approval
20 of the Utility Services Contract (USC) with the US Navy, as follows:

21 **BACKGROUND**

22 The Guam Power Authority currently provides electric service to the US Navy
23 under a Utility Services Contract (USC) which was effective August 1, 2012, and expires
24 on July 31, 2022. GPA and the US Navy have determined that both parties would
25 benefit from continuing with an agreement providing for electric utility service to the
26 military installations on Guam, and desire to enter into a contract for a ten (10) year
27 term. The new Utility Services Contract (USC) establishes points of delivery, annual
28 Navy minimum demands, provides for the transfer of Navy assets, provides a
mechanism for GPA to provide power system support for Navy distribution systems, and
recognizes and identifies the Public Utilities Commission as the regulatory body for
establishing electric service rates for GPA customers. The CCU in Resolution FY2022-

ORIGINAL

06 has approved GPA's request for approval of the Utility Services Contract (USC) with the US Navy.

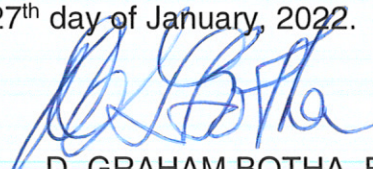
DISCUSSION

GPA hereby petitions the PUC, pursuant to the Contract Review Protocol for the Guam Power Authority, approved by the PUC, to review and approve the Utility Services Contract (USC) with the US Navy. In support of this Petition, GPA hereby provides the PUC with Consolidated Commission on Utilities (CCU) Resolution No. FY2022-06, which authorizes the General Manager to proceed with the Utility Services Contract (USC) with the US Navy. Said resolution and its exhibits are attached herein as Exhibit A, and incorporated by reference herein as if fully set forth.

CONCLUSION

The PUC should approve GPA's request to proceed with the Utility Services Contract (USC) with the US Navy. This contract is beneficial to both parties, and it is reasonable, prudent, and necessary.

RESPECTFULLY SUBMITTED this 27th day of January, 2022.



D. GRAHAM BOTHA, ESQ.
GPA General Counsel



CONSOLIDATED COMMISSION ON UTILITIES

Guam Power Authority | Guam Waterworks Authority

P.O. Box 2977 Hagatna, Guam 96932 | (671) 648-3002 | guamccu.org

GPA RESOLUTION NO. FY2022-06

**AUTHORIZING THE GUAM POWER AUTHORITY TO SEEK PUC APPROVAL TO EXECUTE THE GPA
NAVY UTILITY SERVICES CONTRACT**

WHEREAS, GPA currently provides electric service to the US Navy under Contract N40192-12-C-5100 approved by the CCU and PUC and signed by GPA on July 31, 2012 and expiring on July 31, 2022; and

WHEREAS, the Navy is charged with the Department of Defense's (DOD) military mission for this region and is GPA's largest customer which provides a consistent revenue stream that supplements the remainder of GPA's customer base; and

WHEREAS, GPA is the sole company charged with operating and maintaining the Island Wide Power System in sound physical and financial condition necessary to render adequate and efficient electric service to support the DOD's military mission; and

WHEREAS, GPA and the Navy have determined that it would be in the best interest and to the economic advantage of both parties to enter into an agreement providing for the electric utility service to the DOD installations on Guam; and

WHEREAS, as a result of these mutual benefits, GPA and the Navy have successfully negotiated and desire to enter into a contract for GPA to provide electric utility services to Navy's facilities for a 10-year term; and

WHEREAS, the updated Utility Services Contract contains the following key features:

1. Establishes the points of delivery for power to the Navy;
2. Establishes annual Navy minimum demands for GPA to forecast expected revenues;
3. Provides for the transfer of Navy assets in compliance with US Public law 100-202 regarding environmental clean-up of sites;
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; and

1 **WHEREAS**, the Consolidated Commission on Utilities acknowledges and supports the
2 Utility Services Contract as the vehicle for GPA to fulfill its mission of providing electric services
3 to the island of Guam.

4 **NOW, THEREFORE, BE IT RESOLVED**, by the Consolidated Commission on Utilities
5 subject to the review and approval of the Public Utilities Commission as follows:

- 6 1. After careful consideration, the Consolidated Commission on Utilities finds the
7 Utility Services Contract between GPA and the US Navy to be reasonable and
8 prudent.
- 9 2. The General Manager of the Guam Power Authority, subject to PUC approval, is
10 hereby authorized to execute any and all documents incidental to executing the
11 GPA-Navy Utility Services Contract.

12 **RESOLVED**, that the Chairman certifies and the Secretary attests the adoption of this
13 Resolution.

14 **DULY AND REGULARLY ADOPTED AND APPROVED THIS 25TH DAY OF JANUARY, 2022.**

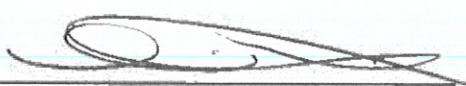
15
16 Certified by:

Attested by:

17
18 
19 _____
20 JOSEPH T. DUENAS

21 Chairperson

22 Consolidated Commission on Utilities

23 
24 _____
25 Michael T. Limtiaco

26 Secretary

27 Consolidated Commission on Utilities
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1 I, Michael T. Limtiaco, Secretary for the Consolidated Commission on Utilities (CCU), as
2 evidenced by my signature above do certify as follows:

3 The foregoing is a full, true, and accurate copy of the resolution duly adopted at a
4 regular meeting of the members of the Guam Consolidated Commission on Utilities, duly and
5 legally held at a place properly noticed and advertised at which meeting a quorum was present
6 and the members who were present voted as follows:

7 Ayes: 5

8 Nays: 0

9 Absent: 0

10 Abstain: 0



GUAM POWER AUTHORITY
UTILITY SERVICES CONTRACT
2022

PENDING APPROVAL

**GUAM POWER AUTHORITY
UTILITY SERVICES CONTRACT**

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ARTICLE 1

Recitals

- 1.1 This agreement describes the terms, conditions and rate setting procedures and service rules and regulations applicable to electricity and capacity sold and delivered by the Guam Power Authority (GPA) to Naval Facilities Engineering Systems Command Marianas (Navy).
- 1.2 Navy operates electrical facilities which are used to primarily supply electricity within Department of Defense (DOD) installations on Guam.
- 1.3 GPA operates electric production, transmission and distribution facilities which are used for the supply of electricity for retail distribution to GPA's customers which includes DOD installations on Guam.
- 1.4 The Island-Wide Power System (IWPS) is dispatched and controlled by GPA from the GPA Power System Control Center.
- 1.5 GPA and Navy desire to continue a relationship whereby Navy (on behalf of all other DOD facilities on Guam) is a transmission-level customer of GPA, and receives firm power service from GPA, and also whereby Navy may request and GPA may agree to provide additional operational and maintenance services or inspection of various facilities.
- 1.6 GPA and Navy acknowledge that Lease Agreement N6274296RP00101 ("Lease") continues to govern the operations, maintenance and custody of certain United States-owned electric power facilities and pertinent real property and easement interests ("Leased Premises") pending a permanent transfer of those assets to GPA as authorized by Section 111 of P.L. 100-202. As provided in the Lease, and consistent with the intent of the parties under Customer Agreement N62742-89-C-0201, upon completion of remediation actions on the Leased Premises under the requirements of section 120(h) (3) of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. § 9620(h) (3)), Navy intends to convey fee title ownership or perpetual rights in the Leased Premises to GPA at no compensation to the Navy. Nothing herein shall abrogate any obligation of the United States related to the permanent conveyance of real property provided for under Customer Agreement N62742-89-C-0201. Such obligation is of continuing force and effect.

ARTICLE 2

Definitions

- 2.1 Accounts. Accounts mean the books and records of GPA and their maintenance in conformance with the Uniform System of Accounts, promulgated by the Federal Energy Regulatory Commission, as described in 18CFR Part 101.
- 2.2 Capital Improvements. Expenditures on real, personal or intangible property (e.g., easements or rights of way) to (i) expand or modify the Island-Wide Power System, (ii) replace a significant component of the existing system or (iii) extend the service life of a significant component of the system are capital improvements. The Uniform System of Accounts promulgated by the Federal Energy Regulatory Commission or its successor agency and interpretations thereof shall be controlling of determinations as to whether an expenditure is a capital improvement. The section of the Uniform System of Accounts that currently prescribes capital improvement issues is in 18CFR Subchapter C, Part 101 Definitions, General Instructions, Electric Plant Instructions, Electric Plant Accounts.
- 2.3 Carrying Charges. Interest or other forms of financing or opportunity cost.
- 2.4 Conjunctive Demand. Conjunctive Demand means the demand, at each measured time interval, of all Navy Points of Delivery added together. Conjunctive demand shall also include the estimated combined demands of Navy customers served through wheeling by GPA, minus the estimated combined demands of GPA customers served through wheeling by Navy. Such estimated combined demands for wheeled customers shall be based on metered monthly kWh consumption and the class load factors from GPA's most recent retail load study.
- 2.5 Cost of Service. The cost of providing electric service to customers is the electrical system O&M expenses, depreciation and debt service costs as may be applicable, taxes and operating return determined on the basis of cost using utility industry accepted principles of cost determination for similar expenditures.
- 2.6 Customer. Customer, when used in Article 2.4, 2.14, and 21.14, refers to DOD facilities on Guam and other customers served and/or billed by NAVFAC.
- 2.7 Dedicated Use Facilities. Navy facilities, as listed in Table 2 that are not a part of the IWPS.
- 2.8 Dispatch and Control. The assignment of load to specific generating units and direction of plant operators to effect the most reliable and economical electrical supply of power as load requirements and unit availability changes, as well as control and operation of high voltage lines, switching, substations and equipment including administration of safety procedures.
- 2.9 Distribution Facilities. Items of utility plant property includable in electric plant accounts 360 - 373 of the Uniform System of Accounts generally consisting of land and land rights, poles, towers, lines, substations and appurtenances thereto that provide service below 34.5 kV.
- 2.10 FERC. The Federal Energy Regulatory Commission or its successor agencies.
- 2.11 Island-Wide Power System (IWPS). Island-Wide Power System meaning all electric production and transmission facilities on Guam operated by GPA and Navy during the term of this USC that are

interconnected and jointly used to supply the electric loads of the parties at the respective delivery points, but excluding distribution, emergency and standby facilities listed in Table 2.

- 2.12 Joint Use Assets. Generation and transmission assets dedicated to the IWPS. The Navy joint use assets are listed in Table 3.
- 2.13 NAVFACMAR. Naval Facilities Engineering Systems Command Marianas.
- 2.14 NAVFACMAR Rates. The rate charged by NAVFACMAR to authorized customers.
- 2.15 Operation and Maintenance. Activities performed to obtain the output from or use of the IWPS assets or to preserve the operating efficiency or physical conditions of IWPS assets.
- 2.16 Point of Delivery. The point where the electric power first leaves the line or apparatus of the Island-Wide Power System and enters the Navy system, generally at the outlet side of metering facilities. See Table 1 for listing of the Navy points of delivery.
- 2.17 Power Billing. Monthly GPA billing to Navy for the provision of electric utility service.
- 2.18 PUC. Guam Public Utilities Commission or any successor agency.
- 2.19 Service Billing. Monthly Navy billing to GPA for services Navy has provided in the preceding month.
- 2.20 Transmission Facilities. Items of utility plant property includable in electric plant accounts 350 - 359 of the Uniform System of Accounts generally consisting of land and land rights, poles, towers, lines, substations and appurtenances thereto that provide service at 34.5 kV or above.
- 2.21 Utility Service Contract (USC). This contract including tables and appendices referenced herein and attached hereto, and all amendments that may be executed from time to time.

ARTICLE 3

Services Navy Will Provide and Navy Will Make Available

- 3.1 The Parties agree that 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. Real Estate documents such as deeds and easements which are necessary to convey title or access to the properties in the Tables will be prepared in accordance with applicable federal law and regulations, including CERCLA property transfer restrictions, and as soon as practical.

Notwithstanding the assets contained in Tables 3, 4 and 5, other assets may be identified for future transfer from Navy to GPA, and shall be included in Table 5, at no compensation to Navy. Navy may unilaterally amend the Tables to include such identified assets. Navy may unilaterally delete assets from the Tables upon conveying fee title or granting easements for those assets to GPA. Otherwise, deletion of assets from the Tables requires bilateral amendment.

- 3.2 Navy will continue to supply fresh water to the Guam Waterworks Authority for the power generation facilities installed on Guam on a best efforts basis at NAVFACMAR rates.
- 3.3 Navy will continue to make certain Government Furnished Property which are intended for transfer and listed in Table 5 available for use at no charge. GPA may request in writing, with necessary plans and drawings, Navy approval of modifications or expansion of GPA facilities in Navy buildings. Modifications cannot begin without written Navy authorization. The criteria Navy will use to evaluate whether to approve the building use include the following:
- The use proposed by GPA will benefit Navy and not interfere with existing or proposed Navy facilities
 - There are no other suitable buildings available to GPA for the same or similar use
 - The space requested in the building is the minimum space required to accomplish GPA's facilities plans

Navy's approval will not be unreasonably withheld or unnecessarily delayed.

Navy may, at any time delete existing Government Furnished Property from Table 5 if retention of the property is determined to be mission critical. The Contracting Officer may otherwise issue an administrative modification to amend Table 5 only where revisions are mutually agreed upon and signed by the Contracting Officer and the General Manager of GPA.

In addition, FAR clause 52.245-1 shall apply to this contract.

- 3.4 Navy and GPA understand that the conveyance of a permanent real property interest fee-title transfer is pending environmental remedial actions and determination of suitability for transfer under federal law. Where such remediation activities have not been completed, the United States will continue to undertake such remediation as necessary to render the property suitable for transfer to GPA.

- 3.5 The Navy and GPA expressly acknowledge that the Lease Agreement N6274296RP00101 continues to govern the operations, maintenance and custody of certain United States-owned electric power facilities and the pertinent real property and easement interests to GPA until the termination date of the Lease Agreement or unless sooner ended by the final transfer of Navy-owned real property or granting of perpetual easements as authorized under section 111 of P.L. 100-202.
- 3.6 Should GPA discover that a portion of the properties herein identified for transfer to GPA under section 111 of P.L. 100-202 is without the benefit of a corresponding real estate interest, whether through recordation failure or otherwise, a request for additional area will be documented and requested by GPA to the Navy, as appropriate. The Parties agree to work in good faith to resolve such discrepancies which may include the execution of new or corrected real estate documents. Nothing herein shall obligate the Navy to acquire additional real estate interests from private parties for the benefit of GPA.

PENDING APPROVAL

ARTICLE 4

Navy Compensation for Services

- 4.1 Navy will make its joint use generation and transmission assets and associated real estate assets as listed in Tables 3 and 5 available for use at no charge. This means that the Navy will not be compensated for depreciation of these assets or carrying charges.
- 4.2 Navy will receive no compensation for capital improvements undertaken by Navy on the Leased Premises.
- 4.3 Both parties may be in a position to provide assistance to either party and will be fully compensated for direct costs incurred in providing such assistance. These services may be out of scope of this contract and will be covered under separate contractual agreements.

ARTICLE 5

GPA Compensation

- 5.1 GPA may submit invoices to NAVFAC Marianas for the Navy share of the fuel cost associated with GPA's most current fuel billing no more frequently than every seven (7) days. The invoice submittal will include a copy of the fuel bill on which the invoice is based and the calculation of Navy's share. The Navy will make weekly payments no sooner than seven (7) calendar days after receipt of a proper invoice. A summary billing will be submitted on a monthly basis, on the last Monday of the following month, which offsets the fuel payment made by the Navy during the billing month. If the last Monday is a holiday, the summary billing will be submitted on the first working day after the holiday

ARTICLE 6

Effective Date and Term

- 6.1 This Contract shall be effective on 01 August 2022 subject to final approval and ratification as required under applicable Guam and federal laws and regulations as submitted and without modification, including the issuance of an order by the PUC approving the provisions of this Contract.
- 6.2 This Contract shall continue in effect for ten (10) years from the effective date hereof unless terminated at the option of the Navy: (i) by the giving of written notice of not less than one year in advance of the effective date of termination; and (ii) by the discharge of the Navy's obligations including the termination liability under Article 18.

PENDING APPROVAL

ARTICLE 7

Forecasts of Reimbursable Costs

- 7.1 Navy will provide five year's forecast information, including energy and conjunctive peak demand forecasts. The annual five (5) year forecast will be provided to GPA by September 1 of each year or when issued. The one (1) year forecast for NAVFACMAR utility water rates will be provided to GPA by September 1 of each year or when set.

PENDING APPROVAL

ARTICLE 8

Dispatch and Control of Navy Dedicated Use Facilities

- 8.1 Navy operates and maintains certain dedicated use facilities that are not part of the Navy joint use assets. These interconnected dedicated use facilities will remain under Navy Dispatch and control to provide additional assurance that Navy can meet its mission requirements. Navy Dispatch and control shall advise and coordinate with the IWPS Dispatch and control center when there are significant changes in load and/or operations of 13.8kV breakers.
- 8.2 Navy will continue to operate and maintain dedicated use facilities and make required capital improvements without compensation from GPA. Navy can request additional operational and maintenance services or inspection of these facilities. Any additional operational and maintenance services or inspection undertaken by GPA at the request of Navy must be agreed to by the Contracting Officer and the General Manager of GPA, which agreement shall not be unreasonably withheld. This agreement shall follow GPA's work order process and is fully reimbursable by the Navy and invoiced separately by GPA. If required by GPA's governing rules, GPA will also obtain approval by the Consolidated Commission on Utilities and/or the Guam Public Utilities Commission prior to performing the required services.
- 8.3 If requested by GPA, Navy may elect to supply nonfirm energy from Navy dedicated facilities to the IWPS. GPA will compensate Navy for energy supplied from Navy dedicated facilities at prevailing NAVFACMAR rates.
- 8.4 Navy and GPA mutually agree that the Navy may be in a position to supply electrical service to GPA customers from Navy dedicated use distribution lines. The Navy shall use its best effort in good faith to allow the electrical service tap(s) to the GPA designated point(s) on the Navy Dedicated Use Facility. GPA will compensate Navy for energy supplied from Navy dedicated facilities at prevailing NAVFACMAR rates.

ARTICLE 9

Dispatch and Control of Navy Joint Use Facilities

- 9.1 GPA is required to follow GPA operational and maintenance procedures and standards when maintaining Tables 1, 3, 4 and 5. Navy can request additional operational and maintenance services or inspection of the Leased Premises. Any additional operational and maintenance services or inspection undertaken by GPA at the request of Navy must be agreed to by the Contracting Officer and the General Manager of GPA, which agreement shall not be unreasonably withheld. This agreement shall follow GPA's work order process and is fully reimbursable by the Navy and invoiced separately by GPA. If required by GPA's governing rules, GPA will also obtain approval by the Consolidated Commission on Utilities and/or the Guam Public Utilities Commission prior to performing the required services.
- 9.2 The Navy 13.8 kV distribution and 34.5 kV transmission assets to be transferred to GPA listed in Tables 3, 4 and 5 will be made available to GPA for reconfiguration. GPA shall have the right, exercisable in accordance with the terms of the Lease, to make such improvements as it deems necessary. Navy will allow reasonable access to GPA to make each improvement. Each improvement made by GPA shall be at its sole cost and expense.

ARTICLE 10

Force Majeure

- 10.1 The term force majeure, as used herein, means unforeseeable causes beyond the reasonable control of, and without the fault or negligence of the party claiming force majeure, including but not limited to, acts of God and sudden actions of the elements, such as floods, typhoons, earthquakes or tornadoes or in the case of war or acts of the public enemy.
 - 10.1.1 The term force majeure does not include any full or partial curtailment in the electric output which is caused or arises from the act or acts of any third party, vendor or supplier of GPA or Navy.
 - 10.1.2 The term force majeure does not include any full or partial curtailment in the electric output of the IWPS that is caused or arises from a mechanical or equipment breakdown, unless such breakdown is caused by a force majeure.
 - 10.1.3 The term force majeure does not include changes in market conditions that affect the cost of meeting contractual requirements.
- 10.2 If either party, because of force majeure, is rendered wholly or partly unable to perform its obligations under this Contract, that party shall be excused from whatever performance is affected by the force majeure to the extent so affected provided that:
 - 10.2.1 The nonperforming party, within two (2) weeks after the occurrence of the force majeure, gives the other party written notice describing the particulars of the occurrence.
 - 10.2.2 The suspension of performance is of no greater scope and of no longer duration than is necessitated by the force majeure.
 - 10.2.3 The nonperforming party uses its best efforts to remedy its inability to perform.
 - 10.2.4 When the nonperforming party is able to resume performance of its obligations under this Contract that party shall give the other party written notice to that effect.
- 10.3 If a dispute arises over the definition of an event as force majeure, the dispute will be resolved in accordance with the disputes resolution procedures contained in Article 19.

ARTICLE 11

Notices

11.1. Unless specifically provided otherwise, all notices required to be provided to the Government under this Contract shall be mailed to:

Commanding Officer
NAVFAC Marianas
PSC 455 Box 195
FPO AP 96540-2937

11.2. Unless specifically provided otherwise, all inquiries and notices to GPA regarding this Contract shall be mailed to:

General Manager
Guam Power Authority
P.O. Box 2977
Hagatna. Guam 96910

ARTICLE 12

Rates and Regulation

- 12.1 The 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 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.
- 12.2 Base rates for GPA electricity service to Navy, which include all rates other than those established in fuel rate proceedings before the PUC, may be implemented in conjunction with a GPA general rate filing before the PUC that affects the rates of non-Navy customer classes and which reflects the Navy as a customer. In such case, the cost of providing electric service to the Navy shall be determined on an embedded cost basis and shall include only the applicable portion of the cost of service elements approved by the PUC. The total GPA system costs that will be included in the cost of service study, and to which the applicable allocation factors to determine the cost of serving the Navy will be applied, will be those cost elements used by the PUC to determine the basis for the rates charged to all non-Navy customer classes. The debt service coverage ratio (DSCR) used to establish the rates to be charged the Navy will be the same DSCR found appropriate by the PUC for the GPA system and incorporated in the rates charged to all non-Navy customer classes.
- 12.3 GPA will perform a cost of service study to determine the costs properly allocable to Navy, and to determine the rates to be charged to the Navy. Both parties agree that the cost of service methodology applying to Navy shall be subject to the approval of the PUC. The methodology used to develop Navy's rates is set forth in Appendix A.
- 12.4 Fuel rates for Navy will be calculated and invoiced, according to the formula and terms contained in Appendix B.
- 12.5 Notice to Navy regarding proposed changes in GPA rates to Navy or proposed changes in cost of service or rate structure methodology applying to Navy shall be governed by the PUC's rules for notice to GPA customers. No changes in rates to Navy may be made until the PUC has conducted a hearing to consider both parties' positions and has rendered its decision. Any change in rates to be charged the Navy will become effective on the same date that the change in rates for non-Navy customer classes becomes effective. Pending a decision of the PUC, GPA agrees to continue to furnish electric service to the Navy at the rates then applicable.
 - 12.5.1 If GPA or PUC determines it is necessary to seek a change in the methodology in effect for setting rates, GPA shall give Navy forty-five (45) days notice of its desire together with the recommended changes. If Navy agrees to the change in methodology, GPA will submit such modifications to the PUC for its approval or other action.
 - 12.5.2 If Navy determines it is necessary to seek a change in the methodology in effect for setting rates, Navy shall give GPA forty-five (45) days notice of its desire together with Navy's recommended changes. If GPA agrees to the change in methodology, GPA will submit such modifications to the PUC for its approval or other action.

- 12.5.3 If GPA and Navy are unable to reach an agreement as to any matter relating to methodology within an additional forty-five (45) days of one party's notice to the other, GPA will then submit its position to the PUC pursuant to the rules and regulations of the PUC. Navy shall have the right to submit its position to the PUC, and no changes may be made until the PUC has conducted a hearing to consider both parties' positions and has rendered its decision. Pending a decision of the PUC, GPA agrees to continue to furnish electric service to the Navy at the rates then applicable.
- 12.6 If changes in the cost of service or rate design applicable to Navy non-fuel rates are sought by either GPA or Navy outside of a general rate filing applicable to all GPA customer classes, the procedures specified in this Section shall be followed.
- 12.6.1 If GPA and Navy mutually agree that there is a significant change in IWPS operations and/or system conditions that cause the cost of service methodology approved at the time by the PUC to produce a result that is no longer reflective of the cost of serving the Navy and non-Navy customer classes, GPA may propose and Navy will support a change, which is acceptable to both GPA and Navy, in the cost of service and rate structure methodology in GPA's next general rate filing.
- 12.6.2 If GPA or PUC determines it is necessary to seek a change in the methodology in effect for setting rates, GPA shall give Navy forty-five (45) days' notice of its desire together with the recommended changes. If Navy agrees to the change in methodology, GPA will submit such modifications to the PUC for its approval or other action.
- 12.6.3 If Navy determines it is necessary to seek a change in the methodology in effect for setting rates, Navy shall give GPA forty-five (45) days' notice of its desire together with Navy's recommended changes. If GPA agrees to the change in methodology, GPA will submit such modifications to the PUC for its approval or other action.
- 12.6.4 If GPA and Navy are unable to reach an agreement in Article 12.6.2 and 12.6.3 as to any matter relating to methodology within an additional forty-five(45) days of one party's notice to the other, GPA will then submit its position to the PUC pursuant to the rules and regulations of the PUC. Navy shall have the right to submit its position to the PUC, and no changes may be made until the PUC has conducted a hearing to consider both parties' positions and has rendered its decision. Pending a decision of the PUC, GPA agrees to continue to furnish electric service to the Navy at the rates then applicable.
- 12.7 GPA acknowledges Navy's full rights to participate in any rate setting or other proceeding involving GPA before the PUC and will not oppose Navy's rights to participate.
- 12.8 GPA will prepare and maintain documented work papers in sufficient detail to allow Navy to understand and replicate the calculations performed in any cost of service and rate study. All work papers supporting the cost of service study and rate development will be made available to Navy at least forty-five (45) days prior to the time that GPA proposes to change Navy's rates. For any other cost of service studies and rate developments, these work papers shall be made available upon Navy's request.

- 12.9 In the event that the PUC is not the applicable regulatory authority, then the name of the applicable regulatory authority shall be substituted whenever the word "PUC" appears in this Agreement.
- 12.10 Notwithstanding any other provisions of this Agreement, if any rate increase for any non-Navy customer class is reduced, forgiven or abated; or if the level of rates for any non-Navy customer class is reduced, forgiven or abated, then the rates charged to the Navy shall be decreased by the same percentage and at the same time. However, this provision shall not apply if a decrease in revenue from one non-Navy customer class is compensated by an increase in revenue from another non-Navy customer class. Nor shall it apply if there is a net revenue decrease from the non-Navy customer classes which is compensated by equivalent funds from external sources; provided that such funds can be, and are, recognized and recorded by GPA as revenues, and provided further that GPA's financial ratios are not adversely affected.

PENDING APPROVAL

ARTICLE 13

Changes in Navy Service Requirements

13.1 Navy's initial Minimum Reserved Capacity from GPA under this Agreement shall be set at a level equal to 85 percent of the average Navy monthly peak conjunctive demands over the twelve months preceding the effective date of this Agreement, as measured at 34.5 kV.

13.1.1 Not less than six (6) months prior to the end of the initial Contract Year and not less than six (6) months prior to the end of each subsequent Contract Year, Navy may give notice to GPA of a requested decrease or increase in the Minimum Reserved Capacity. Such annual decrease or increase shall not exceed three and a half (3.5) percent of the Minimum Reserved Capacity in effect at the time of the notice.

PENDING APPROVAL

ARTICLE 14

Navy Billing Demands

14.1 In any month, the Navy's firm billing demand will be equal to the greater of:

- (A) The maximum actual conjunctive demand of the Navy load for the month (expressed on a thirty (30) minute integrated demand basis) and equal to the demand of all Navy load metered through Navy delivery points, during the thirty (30) minute period when the combination of these loads was at its maximum value, or
- (B) Eighty-five percent (85%) of the highest of the demand specified in (A) above occurring during the previous eleven (11) month period, or
- (C) The Minimum Reserved Capacity (see Article 13).

14.2 In determining Navy's demand for purposes of this Article, the demands shall be adjusted to reflect service at 34.5 kV.

ARTICLE 15

Power Factor Adjustment

- 15.1 For the purposes of this Agreement, power factor is defined as the average ratio of energy in kilowatt-hours (kWH) to kilovolt-Ampere-hours (kVah) for each delivery point as determined for each month. This ratio is expressed as a percentage.
- 15.2 Navy shall endeavor to maintain a power factor of at least eighty-five percent (85%) at each delivery point.
- 15.3 GPA will apply the power factor adjustment at any Navy delivery point if the power factor for the month is below eighty-five percent (85%) or above ninety percent (90%). This will be referred to as the Power Factor Adjustment Range (i.e. 85% - 90%). Such adjustment would be to eighty-five percent (85%) if below eighty-five percent (85%) or to ninety percent (90%) if above ninety percent (90%). For each one percent (1%) the average power factor is below eighty-five percent (85%) or above ninety percent (90%), the monthly bill as computed under the demand charges shall be increased or decreased, respectively, by one-tenth percent (0.10%). The power factor will be computed to the nearest percent.
 - 15.3.1 The Navy's Power Factor Adjustment Range (85%-90%) shall be adjusted up or down by the same percentage points as adjustments to GPA customer classes Large Power Service (Schedule "P") and Large Government Service (Schedule "L") may be made from time to time.
- 15.4 The conjunctive monthly demand billings will be adjusted by the power factor adjustments computed at the individual demands received at each delivery point. In no case, however, shall the power factor be taken as more than one hundred percent (100%) in computing the adjustment.
- 15.5 The average monthly power factor will be determined from readings of a revenue meter.

ARTICLE 16

Load Shedding Schedule

- 16.1 In the event of an IWPS electric supply deficiency, priorities are established for a load shedding schedule.
- 16.2 Shedding of load will be performed in accordance with the IWPS Underfrequency Load Shedding (UFLS) Scheme, as amended. Navy shall maintain a high priority on the UFLS Scheme for Navy identified critical loads.
- 16.3 The IWPS UFLS Scheme shall be reviewed and may be revised from time to time by mutual agreement of GPA and Navy. Determination as to appropriateness of the need for revisions to the IWPS UFLS Scheme shall be based upon the priority nature of Navy and GPA loads served by the various feeders, and shall take into account such factors as health, human needs, public safety and national security.

PENDING APPROVAL

ARTICLE 17

Load Restoration Schedule

- 17.1 In the event of a significant IWPS outage, priorities are established for returning load to service.
- 17.2 Restoration of load will be performed in accordance with the restoration procedures set forth under GPA's Standard Operating Procedure No. SOP-035, System Restoration During Partial or Complete IWPS Blackout, as amended. Navy shall maintain a high priority for load restoration for Navy identified critical loads.
- 17.3 The SOP-035 feeder/circuit restoration sequence shall be reviewed and may be revised from time to time by mutual agreement of GPA and Navy. Determination as to appropriateness of the need for revisions shall be based upon the priority nature of Navy and GPA loads served by the various feeders, and shall take into account such factors as health, human needs, public safety and national security.

ARTICLE 18

Termination Liability

18.1 In the event the Navy terminates this Agreement prior to expiration of the term, the Navy shall pay GPA a termination charge determined as follows:

Termination Charge

$$TC = (A) \times (C) \times (D) + (B) \times (C) \times (E)$$

TC= Termination Charge

A = Production rate base allocated to Navy as a percent of GPA total Production rate base used in the cost of service study in the rate case prior to the date of termination.

B = Transmission rate base allocated to Navy as a percent of GPA total Transmission rate base used in the cost of service study in the rate case prior to the date of termination.

C = The sum of the annual principal payments for the period of time between the termination date and the end of the term of the then current Agreement, associated with all GPA debt incurred since the effective date of the initial Customer Service Agreement between GPA and Navy.

D = Fraction of GPA rate base that was associated with the Production functions, for facilities that were commonly allocated to Navy and non-Navy customers in the GPA cost of service study in the rate case prior to the date of termination. Any facilities donated or financed by Navy will be excluded from the calculation of this fraction.

E = Fraction of GPA rate base that was associated with the Transmission functions, for facilities that were commonly allocated to Navy and non-Navy customers in the GPA cost of service study in the rate case prior to the date of termination. Any facilities donated or financed by Navy will be excluded from the calculation of this fraction.

18.2 In addition to the above payment for commonly allocated generation and transmission assets, Navy will make a termination payment for facilities, provided subsequent to the effective date of this Agreement, and used exclusively to serve Navy, in accordance with the Federal Acquisition Regulation governing termination liability as follows:

- (a) If GPA furnishes and installs at its expense new facilities used exclusively to serve Navy, GPA will provide a list of facilities which will be mutually approved and described in Exhibit _____*, attached hereto and made a part hereof,
- (b) Ownership, Operation, and Maintenance of New Facilities. Unless purchased by the Navy under the provisions of paragraph (e) of this Article, the facilities to be supplied by GPA shall be and remain the property of GPA, and at all times during the life of this Agreement or any renewals thereof shall be operated and maintained by GPA at its expense.

- (c) Termination by GPA. In the event GPA terminates this Agreement or defaults in performance, the Navy shall have no obligation to pay GPA any amount for its connection obligation pursuant to the terms of this Agreement.
- (d) Termination Prior to Completion of Facilities. In the event the Navy terminates this Agreement prior to completion of the facilities provided for herein, GPA shall be paid fair compensation, exclusive of profit, for the work performed with respect to these facilities.
- (e) Termination Subsequent to Completion of Facilities. In the event the Navy terminates this Agreement subsequent to completion of the facilities provided for herein, and prior to _____ **, the Navy shall pay GPA the sum of _____ dollars*** less one of that amount for each month this Agreement remains in effect. In the event of termination, GPA shall remove within twelve (12) months any facilities located on Navy property, provided that the Navy shall have the option to purchase the facilities located on Navy property at the agreed salvage value of _____ ****dollars.

*Insert identifier.

** Insert the date or length of time as negotiated.

*** Insert lump sum, not to exceed cost of connection less salvage value. Include breakdown of cost by items in the Exhibit attached. Complete the fraction by inserting the number of months comprising the amortization period. A monthly amount in lieu of a fraction may be used. In that case, divide the lump sum by the number of months to derive the monthly amount and substitute the following language: 'less (insert monthly amount) dollars multiplied by the number of months service has been received and paid for prior to the date of termination. If there is a probability that the facilities furnished under the above clause may be used at a later date to serve new consumers other than the Navy and no allowance for this has been made in computing the charge, additional provision should be included in the clause to assure that the Navy receives such credits as may be equitable under the circumstances.

**** Insert amount

- 18.3 In addition to the termination charges in Articles 18.1 and 18.2, Navy will be subject upon early termination to settlement charges that shall be negotiated between the Parties, Such settlement charges shall be developed with consideration of the guidance of FAR Part 49 and FAR clauses 52.249-2 and 52.249-3, as well as factors specific to GPA. The PUC shall have review and approval authority, subject to the terms of Article 19.1, over termination or settlement charges.

ARTICLE 19

Disputes Resolution

- 19.1 Rate Related Disputes. Matters involving accounting practices, allow ability of costs, pricing and rates, settlement charges, and other charges and fees shall be referred to the PUC for disposition in accordance with the PUC's rule of practice and procedure. Should differences continue, either party may pursue an appeal to the Guam Superior Court and, if necessary, continue through normal judicial channels.
- 19.2 For Other Disputes, this Contract is subject to the Contract Disputes Act of 1978, as amended (41 U.S.C. 601-613) and as contained in the provisions of FAR 52.233-1, as amended.

PENDING APPROVAL

ARTICLE 20

Wheeling and Service Exchange

- 20.1 Except as otherwise agreed and reflected in Table 1, any Navy loads that are served from GPA distribution lines will be a tariff customer of GPA and will be billed by GPA at GPA's standard rate applicable to loads of comparable size and voltage level and subject to GPA Service Rules and Regulations. These loads are not included in the minimum reserved capacity (as defined in Article 13), billing, cost of service and rate articles of this Agreement. However, Navy may switch these loads to Navy owned facilities at any time.
- 20.2 By mutual agreement, other Navy loads served from GPA distribution lines may be included in the minimum reserved capacity (as defined in Article 13), billing, cost of service and rate articles of this Agreement. In addition to the rates provided for in this Agreement for deliveries to Navy at the specified Navy delivery points, Navy will pay GPA (for the loads referenced in this paragraph) a wheeling rate as developed by GPA's cost of service study.
- 20.3 Any GPA loads that are served from Navy distribution lines shall continue to be GPA customers, and will be billed by GPA. The demand and energy of these GPA customers will be removed from Navy delivery point loads for purposes of determining Navy allocation factors in cost of service studies, and for calculating Navy rates and power billings, and will not be included in Navy's minimum reserved capacity (as defined in Article 13). For each kWh delivered to GPA customers over Navy distribution lines, Navy will be compensated by GPA at a rate equal to the total cost of Navy's distribution facilities (including return), expressed on a kWh basis, as determined annually by Navy.
- 20.4 In determining GPA's and Navy's actual demands and energy usage, any adjustments required as a result of the loads referenced in Articles 20.2 and 20.3 shall include all distribution losses up to the transmission level.

ARTICLE 21

Service Rules and Regulations

21.1 Characteristics of Service

- 21.1.1 Alternating current service of approximate sixty (60) hertz will be regularly supplied. GPA will exercise reasonable diligence and care to regulate and maintain its frequency within reasonable limits as defined in ANSI IEEE Std 446 latest edition. (Direct current will not be supplied.)
- 21.1.2 Voltages referred to herein are cited at nominal levels as normally intended to be delivered. Actual levels may vary within acceptable industry limits as defined in ANSI C84.1 latest edition.
- 21.1.3 The type of service available at any particular location shall be dependent on the size and nature of the load.
- 21.1.4 Service locations are listed in Table 1. The Navy may, at any time, by written request and standard GPA service application process, designate additional or delete existing service locations.

The Contracting Officer may issue an administrative modification to amend Table 1 where:

- (1) Table 1 changes are required because of an additional service location or termination and;
- (2) revisions are mutually agreed upon and signed by the Contracting Officer and the General Manager of GPA and;
- (3) added or deleted service locations have completed the GPA service application process.

- 21.2 Phase and Voltage Specification. Services will be provided at 34.5 kV three phase, three wire, except as noted in Table 1.

21.3 Equipment Protection

- 21.3.1 Protection of Navy's Facilities. The Navy is responsible for furnishing, calibrating, installing, inspecting and keeping in good and safe condition at its own risk and expense, all appropriate protection devices of any kind or character, which may be required to properly protect the Navy's facilities. GPA will not be responsible for any loss or damage caused by the negligence or wrongful act of the Navy or Navy's agents, employees or licensees in omitting, installing, maintaining, using, operating or interfering with any such protective devices.
- 21.3.2 Protection from Service Interruptions. The Navy is responsible for selecting and installing the protective devices as necessary to coordinate properly with GPA's protective devices to avoid exposing other customers to unnecessary service interruptions.

21.4 Interference with Service

- 21.4.1 Voltage. If the Navy operates equipment which causes detrimental voltage fluctuations, Navy must reasonably limit those fluctuations. The Navy will be required to provide whatever corrective measures are necessary.
- 21.4.2 For Added Voltage Control. Where the Navy requires special facilities to provide increased service reliability or voltage control with unusual close limits, the Navy will provide those facilities at their own expense.
- 21.4.3 Current. If the Navy superimposes a current of any frequency upon any part of its electric system, other than the current supplied by GPA, Navy shall, at its expense, prevent the transmission of such current beyond its electrical system.
- 21.5 Other Conditions of Service. The Navy's loads shall be balanced on the three phases in accordance with good engineering practice. Actual levels may vary within acceptable industry limits as defined in ANSI C84.1 latest edition.
- 21.6 Billings for Electric Utility Service
- 21.6.1 Navy is required to pay the charges assessed in accordance with this USC, payments hereunder shall not be paid in advance of services rendered. The power billing and/or cost summary that GPA renders to Navy will contain sufficient detail and supporting work papers to allow complete review by Navy.
- 21.6.2 Billing Period. Electric utility services will be billed monthly. The billing will be provided by GPA to Navy within twenty-one (21) working days of the end of the month to which the billing relates and in accordance with Article 5.
- 21.6.2.1 All bills shall be paid promptly. All bills are due and payable upon presentation, and are past due if unpaid fifteen (15) days after presentation.
- 21.6.2.2 Whenever payment of a regular bill for electric service is received after 5:00 P.M. of the date specified in the original bill as the date such payment is due, GPA shall assess a late payment charge.
- 21.6.2.3 Navy shall pay the same late payment charges required of other customers of GPA.
- 21.6.2.4 The amount of the late payment charge shall be determined from time to time by GPA, and it shall be approved by GPA's Board of Directors and the PUC before being implemented.
- 21.6.3 Metered Service. Bills for metered service will be based on meter registration. Meters will be read as required for the preparation of regular bills.
- 21.6.4 Estimated Bills. If, because of unusual conditions or for reasons beyond its control, GPA is unable to read the Navy's meters on the scheduled reading date, GPA may bill the Navy for estimated demand and consumption during the billing period, and make any necessary corrections when a reading is obtained. Estimated demand and consumption for this purpose will be calculated considering the Navy's prior usage. Adjustments for any under or overestimate of a Navy's demand and consumption will be reflected on the next

regularly scheduled billing based on an actual reading following the period of inaccessibility.

21.6.5 Conjunctive Billing. The Navy's billing will be on a conjunctive basis.

21.7 Meter Test

21.7.1 GPA will conduct meter testing to ensure accurate meter registration.

21.7.2 National Standards

21.7.2.1 Meters and associated metering devices will be tested by GPA personnel in conformity with the standards of the American National Standards Institute Code for Electricity Metering (ANSI) C12.1 latest edition, and American National Standards Institute for Electricity Meters - 0.2 and 0.5 Accuracy Classes (ANSI) C12.20 latest edition.

21.7.2.2 GPA will test meters individually and verify proper performance and accuracy in accordance with ANSI C12.1/C12.20 requirements. No meter will be placed in service or allowed to remain in service if found not in compliance with ANSI C12.1/C12.20 accuracy standards.

21.7.2.3 GPA will not install a meter which is known to be defective. The capacity of the meter and the index mechanism shall be consistent with the Navy electric power requirements.

21.7.3 Testing Removed Meters. When deemed necessary, meters and/or associated devices will be tested after they are removed from service. These tests will be done before the meters and/or associated devices are adjusted, repaired or retired. No meter will be allowed to remain in service which is found to have an error in registration in excess of the prescribed tolerance limit.

21.7.4 Navy Requested Test. Navy may request GPA to test their electric meter at no charge once every six (6) months. The cost of any additional tests will be borne by the Navy if the percentage of error is found to be within ANSI C12.1/C12.20 standards. Tests will be conducted within ten (10) working days of receipt of request.

21.7.5 Test Report. The Navy will have the right to witness GPA's test of the meter or, if it desires, have the presence of an expert or other representative appointed by the Navy. A report giving the results of the test will be provided to the Navy within ten (10) working days of the test. A copy of the report, together with a complete record of each test, will be kept on file by GPA for at least three (3) years.

21.8 Adjustment of Bills

21.8.1 For Meter Error

21.8.1.1 If, after testing, any meter is found to be registering more than ANSI C12.1/C12.20 standards, GPA will refund or credit to the Navy the overcharge based on corrected meter readings for the period in which the meter was in use,

not to exceed one hundred eighty (180) days, unless it can be shown that the error was due to a particular cause, the date of which can be reliably established or computed back to but not beyond that date, and in no case beyond twelve (12) months.

- 21.8.1.2 If, after testing, a meter is found to register less than ANSI C12.1/C12.20 standards, GPA's billing adjustment will be for electric energy consumed up to one hundred eighty (180) days prior to date of test. If the actual period of error has been determined to exceed one hundred eighty (180) days, the adjustment will cover that total period, but in no case beyond twelve (12) months.

21.8.2 For Billing Error

- 21.8.2.1 If the Navy is overcharged as a result of incorrect reading of the meter, incorrect application of the rate schedule, incorrect connection of the meter, incorrect multiplier or other similar reasons, the amount of the overcharge will be adjusted, refunded or credited to the Navy based on corrected billing for the preceding one hundred eighty (180) days, subject to the provisions of Article 21.8.2.3 below.
- 21.8.2.2 If the Navy is undercharged as a result of incorrect reading of the meter, incorrect application of the rate schedule, incorrect connection of the meter, incorrect multiplier or other similar reasons, the undercharge will be billed to the Navy based on corrected billing for the preceding one hundred eighty (180) days, subject to the provisions of Article 21.8.2.3 below.
- 21.8.2.3 When it is found that a billing error has been made, the date of which can be reliably established, the overcharge or undercharge will be computed back to but not beyond that date, and not beyond twelve (12) months.

21.9 Service Connections and Facilities on Navy's Premises

- 21.9.1 All meters will be installed by GPA at approved locations on Navy's premises and will be placed so they are easily accessible for inspections, reading and testing.
- 21.9.2 The Navy will, at its expense, provide an alternate and approved location for all meters in order to comply with the foregoing whenever the existing meter or meters becomes inaccessible for inspection, reading or testing by reason of any changes made by the Navy.
- 21.9.3 All GPA meters and related metering equipment will be sealed by GPA and no seal will be tampered with or broken except by a duly authorized representative of GPA.
- 21.10 No Unauthorized Work. Only a duly authorized representative of GPA or a Navy employee under the direction of the GPA Chief Electric Power System Dispatcher may connect or disconnect the Navy's conductors to or from GPA's conductors.
- 21.11 Responsibility for Navy Electrical Facilities

- 21.11.1 Good and Safe Condition. The Navy will, at its sole risk and expense, furnish, install, inspect and keep in good and safe condition all electrical facilities beyond the point of delivery required for receiving electric energy, including any necessary protective devices, regardless of the location of the transformers, meters or other GPA equipment.
- 21.11.2 Navy Side (Point of Delivery). The Navy will be solely responsible for the delivery of all electric energy on its side of the point of delivery.
- 21.11.3 Adjusting Protective Equipment. Whenever GPA determines coordination is required between the Navy's protective equipment and that of the GPA, GPA will review and, if it approves, will agree to the arrangement and setting of the Navy's protective equipment. In the interest of service reliability to the Navy and other customers, GPA may from time to time require the Navy to submit evidence that the agreed upon coordination is maintained.
- 21.11.4 Navy Responsibility for Actions. GPA will not be responsible for loss or damage caused by the negligence, lack of proper care or the wrongful act of the Navy, its agents, employees, or licensees in installing lines, machinery, apparatus or equipment.
- 21.11.5 The Navy shall provide, free of charge to GPA, mutually agreeable locations on its premises for the installation of meters and such other equipment furnished and owned by GPA and necessary to supply service to Navy. GPA shall, at all times during the life of this Contract, operate and maintain at its expense such equipment or facilities as for which it has responsibility in accordance with this section, and shall assume all costs or charges in connection therewith. Notwithstanding anything to the contrary in FAR 52.241-5 (Contractor's Facilities (FEB 1995)), such equipment and facilities as for which GPA has responsibility in accordance with this section may be removed or abandoned in place.

21.12 Access to Premises. GPA shall have access to any premises served at all reasonable times during the continuance of this Agreement and at its termination for the purposes of installing, repairing and removing GPA's equipment, and for any other proper purpose hereunder provided, however, that Navy may limit or restrict such right of access in any manner considered by the Navy to be necessary or advisable.

21.13 Shortage of Electric Supply and Interruption of Delivery

- 21.13.1 Shortage and Interruption. GPA will exercise reasonable diligence and care to furnish and deliver a continuous and sufficient supply of electric energy to the Navy. However, it does not guarantee continuity or sufficiency of supply since electric service is inherently subject to interruption, suspension, curtailment and fluctuation.
- 21.13.2 Temporary Suspension for Repairs. Whenever temporary suspension is necessary for the purpose of making repairs or improvements, GPA will notify and coordinate with the Navy and proceed as rapidly as possible to avoid Navy inconvenience.
- 21.13.3 All outages and clearances will be coordinated through the GPA Chief Electric Power System Dispatcher who is responsible for operation of the system. The GPA Power

System Control Center Dispatcher will maintain a positive control over the work that field crews are performing and will control the related tagging and clearance approval.

21.13.4 GPA will dispatch and control the Navy joint use facilities as part of the IWPS.

21.14 Resale of Electric Energy. It is expressly understood and agreed that Navy has the right to resell electric utility services to its customers as defined in Article 2.6.

21.15 Parallel Operations. The operation of Navy generating facilities in parallel with the IWPS will be planned and coordinated with and approved by the GPA Chief Electric Power System Dispatcher.

21.16 Line Extensions. Extensions of lines necessary to furnish permanent service to the Navy will be made by modifications to this Agreement in accordance with the following provisions:

21.16.1 General

21.16.1.1 Ownership, Operation and Maintenance. GPA will construct, own, operate and maintain electric lines and equipment only under, along, upon and over public streets, roads and highways where it has the legal right to do so, and on public lands and private property across which it has otherwise obtained rights-of-way or other necessary rights satisfactory to GPA.

21.16.1.2 Special Facilities. GPA will install only those facilities which it deems necessary to render service in accordance with GPA's standard facilities for service. If the Navy requests facilities which are acceptable to GPA but are in addition to, or in substitution for, the standard facilities which GPA normally would install, the Navy shall make a contribution to cover the extra cost thereof.

21.16.1.3 Refunds. GPA will have the right to connect subsequent customers to all Navy line extensions. If these are permanent connections and are made within five (5) years of the date the line extension is energized, subsequent customers connected will be treated for purposes of extension allowance and charges as if they were included among the customers for whom the extension was originally constructed. Reallocation of these charges among the customers will be made on the same basis. Refunds, if any, to the Navy will also be made on the same basis. The line extension allowance will be calculated from a permanent customer's point of delivery toward the source of supply. No refund will be made on any contribution to GPA for any cost of line extension beyond the free length if the Navy should terminate its original request less than thirty (30) months of the date permanent power was installed.

21.16.2 Overhead Extensions

21.16.2.1 Extension Allowance. Overhead line extensions will be made by GPA at its expense provided the cost of the line required does not exceed thirty (30) months' estimated revenue derived from the line. GPA will install, own, operate and maintain the necessary meters and switching and protective

equipment at its expense, except where the Navy requests special facilities as covered by Article 21.16.1.2 above.

- 21.16.2.2 Extensions Beyond Allowance. For Overhead line extensions whose estimated cost exceeds the thirty (30) months' estimated revenue to be derived from the line, the Navy shall make a contribution equal to the difference between the estimated line cost and the thirty (30) months' estimated revenue. The estimated line cost will exclude meters, switching and protective equipment, and will be based on the route determined by GPA. When a line extension is to be installed on Navy property, the route of any portion on Navy property must be mutually agreed to by Navy and GPA.

21.16.3 Underground Extensions

- 21.16.3.1 General. Whenever underground line extensions are necessary based on customer load requirements or GPA Policy, the Navy will install supporting structures (ducts, manholes, etc.) and provide the appropriate rights-of-way. GPA will install the cables, splices and transformers only when the Navy makes a contribution of the estimated difference between the cost of the underground system and the cost to the Navy of an equivalent overhead system in accordance with Article 21.16.2.
- 21.16.3.2 Replacement of Overhead with Underground Facilities. When mutually-agreed upon by the Navy and GPA, overhead facilities will be replaced with underground facilities, provided the Navy installs all supporting structures (ducts, manholes, etc.) and makes a contribution of the estimated cost installed of the underground facilities less the estimated net salvage of the overhead facilities removed.

21.17 Discontinuance of Service. GPA will not provide service to electrical equipment which, when operated, will be detrimental to GPA's or another customers' equipment. GPA will discontinue service to a Navy delivery point if the Navy continues to operate the equipment at that delivery point after being notified in writing by GPA to discontinue the operation. Discontinuance of service to any Navy delivery point will in no way affect service at other Navy delivery points.

21.18 Ability to Serve Other Customers from Facilities on Navy Property. All facilities installed by GPA at its expense on Navy's premises for the purpose of delivering electric energy to the Navy will continue to be the property of GPA and will be removed at the termination of service. These facilities may also be used to supply other customers whether or not on the same premises, provided the proper easement agreements have been obtained.

21.19 Navy Responsibility for GPA's Property. In the event of loss or damage to GPA's property on the Navy's premises caused by the Navy's tenants, agents or employees, either intentionally or arising from negligence, carelessness or misuse, the cost of repairs or replacements will be at the Navy's expense.

21.20 Unsafe Equipment or Condition

- 21.20.1 Service Refusal. GPA will have the right to refuse or discontinue service to a GPA point of delivery to Navy if Navy wiring or other equipment at that delivery point, or the use thereof, GPA has determined is unsafe or in violation of applicable laws, ordinances, rules or regulations of any public authority. GPA can also refuse service at a GPA point of delivery to Navy if it finds that any condition on the Navy's premises at that delivery point could endanger GPA's service facilities. Refusal or discontinuance of service to any Navy delivery point will in no way affect service at other Navy delivery points.
- 21.20.2 Service Discontinued. GPA may discontinue service to a Navy delivery point immediately and without notice if GPA determines a hazardous condition exists or if the Navy threatens to create a hazardous condition at that delivery point. Service will not be restored until GPA is satisfied changes have been made to eliminate the hazardous condition. Discontinuance of service to any Navy delivery point will in no way affect service at other Navy delivery points.
- 21.20.3 Navy Notification of Defect. GPA does not assume any responsibility to inspect or repair the Navy's electrical system, other equipment or any part thereof. In the event the Navy has knowledge that its service is in any way defective, it is its responsibility to notify GPA at once. GPA will not be liable or responsible for any electrical system, appliances, facilities, or other equipment beyond the point of delivery which it does not own or maintain in accordance with these rules except for damage where GPA's characteristics of service do not meet acceptable industry limits per Article 21.1.
- 21.21 Navy will continue to allow GPA pole attachment to Navy poles. Pole attachments will be governed by the Utilities Pole Agreement established by Navy.

ARTICLE 22

Cybersecurity

22.1 Non-Public Information/Controlled Unclassified Information (CUI)

Definition: Non-public information is defined as information that is not available to the general public. Collectively referred to as "Controlled Unclassified Information (CUI)", it includes information that is not releasable under the Freedom of Information Act (FOIA 5 U.S.C. 552), protected by the Privacy Act (5 U.S.C. 552a), classified (18 U.S.C. § 798), protected by the Procurement Integrity Act (41 U.S.C. § 423), protected by the Trade Secrets Act (18 U.S.C. § 1905), information identified as defense critical infrastructure security information (DCRIT) (10 U.S.C. § 130e), and/or information labeled "For Official Use Only (FOUO)," or "Sensitive But Unclassified (SBU)."

22.1.1 Whether generated by GPA or provided by the Navy, GPA will ensure that protective measures, marking/dissemination controls, and disposition actions for Navy CUI are in place. This includes recurring CUI training for GPA personnel and the processing, storing, or transmitting of Navy CUI on GPA Information Systems (IS). GPA will use the following publications and DoD manuals and instructions, or any updated/amended versions thereof, as guidelines:

- NIST Special Publication 800-171, revision 2, dated February 2020 including updates as of January 28, 2021
- NIST Special Publication 800-172, dated February 2021
- DoDM 5200.01, Volume 1, dated February 24, 2012, as amended
- DoDM 5200.01, Volume 4, dated February 24, 2012, as amended
- DoDI 8582.01, dated December 9, 2019

22.1.2 GPA will monitor Navy CUI for aggregation and compilation based on the potential to generate classified information and report any potential classification of aggregated or compiled CUI to NAVFACMAR.

22.1.3 GPA will ensure that only personnel with the appropriate need-to-know are granted access to Navy information.

22.1.4 GPA personnel with access to Navy CUI will sign non-disclosure agreements (NDAs) generated by NAVFACMAR stating they will safeguard and process Navy CUI in accordance with NAVFACMAR requirements. GPA will designate a person responsible for ensuring NDAs are executed, tracked, and submitted to NAVFACMAR accordingly.

22.1.5 GPA will not release any Navy information to anyone outside the organization, regardless of medium and audience, without proper approval. Requests for approval of releasable information will be submitted to NAVFACMAR and requests will identify the specific information to be released, the medium to be used, and the purpose for the release.

22.2 Work Performed on Navy Systems

- 22.2.1 GPA personnel working on Navy systems/projects will be U.S. Citizens and will properly go through an approved GPA vetting process for suitability.
- 22.2.2 GPA will provide GPA's vetting process to NAVFACMAR.
- 22.2.3 GPA personnel working on Navy systems will only be granted access to Navy systems based on GPA's defined user access roles.

22.3 GPA Representation

- 22.3.1 GPA will work with NAVFAC to achieve appropriate security clearances for GPA selected personnel in order to attend meetings deemed classified.
- 22.3.2 GPA will designate/appoint cybersecurity personnel responsible for any immediate decision making for any cybersecurity incident/event occurrence.

22.4 GPA Considerations

- 22.4.1 GPA shall consider executing best practices for release of GPA information with respect to critical infrastructure and be cognizant of CUI categories listed in the CUI Registry and risks associated with information being made publicly available.
- 22.4.2 GPA shall consider non-utilization of foreign contractors for GPA projects unless each individual has properly gone through an approved GPA vetting process for suitability.

TABLE 1

GPA Points of Delivery to Navy

1. Agana Substation Transformer T-9 - X-48 disconnect switch, transformer side
2. Andersen Substation Transformer T-15 - X-69 Breaker, transformer side
3. Andersen Substation Transformer T-16 - X-75 Breaker, transformer side
4. Cold Storage Substation Transformer T-25 - X-332 Breaker, transformer side
5. Harmon Substation Transformer T-22 - X-83 disconnect switch, transformer side
6. Marbo Substation Transformer T-14 34.5 kV disconnect switch, transformer side
7. NCS Substation Transformer T-47 - 34.5 kV disconnect/fuse, transformer side
8. Orote Substation Transformer T-10 - X-316 Breaker, transformer side
9. Orote Substation Transformer T-11 - X-304 Breaker, transformer side
10. Orote Substation Transformer T-12 - X-308 Breaker, transformer side
11. Orote Substation Transformer T-13 - X-314 Breaker, transformer side
12. Orote Substation Transformer T-28 - X-310 Breaker, transformer side
13. Piti Substation Transformer T-8 - 34.5 kV disconnect switch, transformer side
14. Potts Junction Transformer T-110 - 34.5 kV disconnect/fuse, transformer side
15. Radio Barrigada Substation Transformer T-23 - 34.5 kV disconnect switch, transformer side
16. Radio Barrigada Substation Transformer T-24 - 34.5 kV disconnect switch, transformer side
17. Substation Transformer T-17 - X-322 Breaker, transformer side
18. Substation Transformer T-18 - X-328 Breaker, transformer side
19. P-46 riser poles LC-60 and LC-69 at South Finegayan housing*
20. P-222 Apra Substation *
21. P-253 Barrigada Water Booster* (GPA Premise ID#8715407892)
22. Nexrad Facility (Eagle Field)* (GPA Premise ID#5643500000)
23. NCTS Tele Hut Bldg 1067, Adelup * (GPA Premise ID#8364410548)
24. Apra Reservoir, Santa Rita* (GPA Premise ID#8364410153)
25. Water Tank at South Finegayan Housing, Dededo * (GPA Premise ID#8364410215)
26. South Finegayan Housing Self-Help Storage, Dededo * (GPA Premise ID#8364410628)
27. New Apra Heights, Santa Rita* (GPA Premise ID#8364410627)
28. US Navy Lift Station #5, Piti * (GPA Premise ID#8364410163)
29. Nimitz Hill Water, Piti * (GPA Premise ID#8364410234)
30. AF Booster Pump Station, Maite * (GPA Premise ID#8364410788)
31. AF, LMR, Communication Facility, Piti * (GPA Premise ID#8364410311)
32. Harmon Booster Pump Station* (GPA Premise ID#0380654666)
33. AF Bldg. 70, Santa Rosa

* Service at 13.8 kV

NOTE: Billing adjustments, depending upon switch positions and distribution circuit configuration, will be required.

TABLE 2

Distribution, Emergency and Stand-by Facilities to be Retained by Navy

1. All on-base 4.16 kV, 13.8 kV and 34.5 kV distribution feeder/circuit breakers, lines, and associated buses and equipment, relaying, metering, control systems and miscellaneous equipment except as listed in Table 3, Table 4 and Table 5.
2. Agana Substation Breaker and Line P-26 to Naval Hospital
3. Andersen Substation Breaker and Line P-67 to Pole ND-30
4. Cold Storage Substation Breaker and Line P-528 to Apra Heights and Naval Base Guam (NBG) Munitions Site
5. Harmon Substation Breaker P-45
6. Harmon Substation Breaker and Line P-48 to NBG Telecommunications Site and Ritidian
7. Harmon Substation Breaker and Line P-114 to NBG Telecommunications Site
8. Marbo Substation Breaker and Line P-51 to AF Wells in the Marbo Annex
9. Marbo Substation Breaker and Line P-52 to NBG Barrigada
10. Marbo Substation Breaker and Line P-53 to Maui Wells along Marine Drive
11. Marbo Substation Breaker and Line P-54 to AF Warehouse in Marbo Annex
12. Nimitz Hill Substation Breaker and Line P-136 to Joint Region Marianas Headquarters
13. Nimitz Hill Substation Breaker and Line P-137 to Y Puntan Housing Area
14. Nimitz Hill Substation Breaker and Line P-138 to Naval Hospital
15. Piti Substation Breaker and Section of Line P-1 north to Asan Water Pump Station
16. Piti Substation Breaker and Line P-2 to NBG Apra Heights
17. Piti Substation Breaker and Line P-4 to Navy Dispatch Control Center
18. Piti Substation Breaker and Line P-6 to Nimitz Hill
19. Step down 34.5 kV transformers

T-8 Piti	T-17 SRF
T-9 Agana	T-18 SRF
T-10 Orote	T-22 Harmon
T-11 Orote	T-23 Radio Barrigada
T-12 Orote	T-24 Radio Barrigada
T-13 Orote	T-25 Cold Storage
T-14 Marbo	T-28 Orote
T-15 Andersen	T-47 NCS
T-16 Andersen	T-110 Potts Junction

20. Orote Power Plant
21. Harmon Substation Breaker P-113 Bus Tie

TABLE 3

Navy Joint Use Generation and Transmission Facilities

1. Breakers X-1 through X-3, X-8 through X-14 and X-20 through X-24 at Piti Substation
2. Transmission line between breakers Piti X-23 and Agana X-43
3. Transmission line between breakers Piti X-24 and Agana X-40 via Anigua Substation
4. Transmission line between breakers Agana X-45 and Radio Barrigada X-55
5. Breakers X-40, X-41, X-42, X-43, X-45, X-46, X-47 and X-49 at Agana Substation
6. Transmission line between breakers Agana X-41 and Harmon X-81 via GIA T Substation
7. Transmission line between breakers Agana X-42 and Harmon X-80 via San Vitores Substation
8. Breakers X-80, X-81, X-82, X-84, X-86, and X-87 at Harmon Substation
9. Transmission line between breakers Andersen X-73 and Harmon X-87
10. Breakers X-70, X-71, X-72 and X-73 at Andersen Substation
11. Transmission line between breakers Harmon X-82 and Andersen X-70 via Yigo Substation
12. Transmission line between breakers Radio Barrigada X-56 and Marbo X-65
13. Breakers X-55, X-56, and X-58 at Radio Barrigada Substation
14. Breakers X-65 and X-66 at Marbo Substation
15. Breakers X-100 and X-101 at Tanguisson Power Plant
16. Transmission line between breakers Harmon X-86 and Tanguisson X-101
17. Piti Power Plant
18. Tanguisson Unit No. 1
19. Marbo Power Plant
20. The land designated as the Apra Heights Substation property
21. The land and easements used by the Cabras-Agana 115 kV transmission lines

TABLE 4

Navy 13.8 kV Distribution and 34.5 kV Assets To Be Transferred To GPA

1. Piti step down transformer T-7 (34.5kV/13.8kV; 10,500 kV A), Breaker X-7, T-7 bus, 13.8 kV breakers P-3, P-4, P-7 and one spare breaker.
2. Harmon transformer T-44 (34.5 kV/13.8 kV; 7000 kVA), Breaker X-94, Breaker P-44, Feeder P-44 and associated equipment.
3. Feeder line Piti P-1 from Piti substation to Cabras Island (section North to Asan to be retained by Navy).
4. Feeder line Piti P-7 in total.
5. Feeder line Agana P-29 in total.
6. Feeder line Agana P-31 in total.
7. Feeder line Harmon P-46 in total.
8. Feeder line Harmon P-47 from two unnumbered poles south of pole DH-17 north to pole DH-128 (any line sections not previously transferred).
9. Feeder line Marbo P-53/P-47 (any line section not previously transferred).
10. Feeder line Marbo P-54 from pole MC-29 through MC-143/PQ178.
11. Feeder line Harmon P-111 in total.
12. The line section of Nimitz Hill P-137 from pole KC-55 to pole KC-98.

TABLE 5

Navy Joint Use Assets Not Incorporated in Lease Table 3 and Table 4 to be Transferred to GPA

1. Breaker X-6 through X-7 and breaker positions X-4 and X-5 at Piti Substation
2. Breakers X-301 through X-316 at Orote Substation
3. Transmission line between breakers Piti X-20 and Orote X-311 and tap to Cold Storage X-336
4. Transmission line between breakers Piti X-21 and Orote X-315 and tap to Cold Storage X-334
5. Breaker X-48 at Agana Substation
6. Breakers X-62, X-64 thru X-67 at Marbo Substation
7. Feeder line Marbo P-54 from pole number MC-143/PQI 78 to Potts Junction
8. Breaker and Feeder line P-27 at Agana
9. Breaker and Feeder line P-30 at Agana
10. Breaker P-31 at Agana
11. Breaker P-46 at Harmon
12. Breaker P-111 at Harmon
13. Breaker P-112 at Harmon
14. Agana Power Plant containing approximately six (6) acres of land
15. An easement interest to a certain portion of property in the Municipality of Santa Rita (formerly Agat) containing approximately six and a half (6.50) acres of land stretching south and west from the easement centerline of Route 2A as shown on the GPA Tenjo Vista 34.5 kV Transmission Line routing plan
16. Transmission line between breakers Andersen X-71 and Dededo CT X-150/X- I 55 and breaker X-155
17. Breakers X-332 through X-336 at Cold Storage Substation
18. Breakers X-322 through X-328 at SRF Substation
19. Transmission line between breakers Orote X-301 and SRF X-324
20. Transmission line between breakers Orote X-309 and SRF X-326
21. Tanguisson Water Tank and water line from the Harmon Booster Pump station to the Tanguisson Power Plant
22. Harmon transformer T-21 (34.5 kV/13.8 kV; 30,000 kVA), Breaker X-85, T-21 bus, TP-21 Breaker and associated equipment
23. Breaker and line P-5 at Piti
24. An easement interest within the U.S. Government's 40-foot wide fuel line easement located at Tiyan to support GPA oil pipeline for the Tanguisson Power Plant
25. An easement interest from the intersection of Polaris Point Road and Rt. I to the NBG Polaris Point access gate
26. Breakers X-69, X-74, X-75, X-77 at Andersen Substation
27. Two pad mounted capacitor banks and associated controls at Andersen Substation
28. Grounding transformers connected to the 34.5 kV breakers at the following substations: Andersen (1 ea), Cold Storage (1 ea), Orote (3 ea), and SRF (2 ea)
29. Harmon Substation Breaker and Line P-47 to Tumon Maui Well
30. Section of Andersen Line P-67 from Pole ND-30 to Mt. Santa Rosa
31. Piti Substation T-7 Bus Tie Breaker
32. Transmission line between breakers Harmon X-90 to Andersen X-77 and the supporting infrastructure

- 33. Feeder line Radio Barrigada P-143 from pole number LR-I to LR-43
- 34. Breaker X-83 at Harmon Substation

PENDING APPROVAL

APPENDIX A

Procedures for Developing the Cost to Serve the Navy and Determining Navy Rates

I. Introduction

This Appendix describes the procedures to be employed to determine the cost of serving the Navy, in accordance with Article 12 of the Utility Service Contract (USC) between the Navy and GPA. The starting point for that determination is the total GPA system costs calculated as described herein. Total GPA costs will be functionalized into the categories of production, transmission, distribution, customer accounting and direct assignment, as described in Sections II and III. These costs will then be classified into customer, demand and energy components as described in Section IV and will be allocated to the Navy as specified in Section V. Rates will be developed as specified in Section VI.

References to account numbers are to the FERC Uniform System of Accounts.

GPA and Navy agree that this Appendix A will be incorporated into GPA's tariff for service to Navy. Navy agrees that this Appendix A will be revised to maintain consistency with any Guam PUC orders that affect the procedures for developing cost-of-service and rates for the Navy.

II. Functionalization of Rate Base Elements

Rate base elements will be functionalized as production, transmission, distribution, customer accounting or direct assignment, using the procedures specified in this Section. This direct assignment category will consist of costs uniquely incurred to serve either GP A or Navy loads. The rate base shall consist of (i)

electric plant in service, plus (ii) intangible plant, plus (iii) completed construction, less (iv) contributions in aid of construction, less (v) accumulated provisions for depreciation, plus (vi) thirteen (13) month average materials and supplies inventory, plus (vii) thirteen (13) month average prepayments, plus (viii) cash working capital equal to one-eighth (1/8) of operation and maintenance expense, excluding fuel cost,

less (ix) thirteen (13) month average retirement fund deferred contributions, less (x) thirteen (13) month average accrued payroll and employee benefits.

A. Plant In Service

Plant in service will be functionalized as herein described.

1. Production plant. Investment recorded in Accounts 310 through 316, 320 through 325, 330 through 336, and 340 through 346 will be functionalized to production.
2. Transmission plant. Investment recorded in Accounts 350 through 359 will be functionalized to transmission or, if applicable, direct assignment.
3. Distribution plant. Investment recorded in Accounts 360 through 373 will be functionalized to distribution or, if applicable, direct assignment.

4. General plant. Investments in general plant recorded in Accounts 389 through 398 will be analyzed to determine their specific use. Specific use property will be assigned to the production transmission, distribution, customer accounting or direct assignment functions, as appropriate. General Plant Performing a nonspecific or multiple use will be allocated to two or more of the production, transmission, distribution, customer accounting and direct assignment functions, as appropriate, on the basis of the gross plant previously assigned to these functions in Paragraphs A-1 through A-3.
5. Intangible plant. Investment recorded in Accounts 301 through 303 will be assigned or allocated to functions using the same procedure described in Paragraph A-4 for general plant.

B. Completed Construction

Completed construction items will be analyzed to determine the functions to which they relate and assigned to these functions. Amounts that are unassignable will be allocated to functions on gross plant in service.

C. Contributions in Aid of Construction

To the extent that plant in service balances have not been reduced to reflect contributions in aid of construction, contributions in aid of construction will be assigned as a reduction to the appropriate plant-in-service accounts and then to the appropriate function(s) as described in Paragraph A.

D. Accumulated Provision for Depreciation

The accumulated provision for depreciation will be assigned to functions corresponding to the assignment of the related gross plant in service. To the extent that the accumulated provision for depreciation is not isolated by plant items or by plant account, allocations will be made between and within functions in proportion to gross plant. The accumulated provision for depreciation will be adjusted for depreciation associated with assets specifically excluded from the rate base.

E. Thirteen (13) Month Average Materials and Supplies Inventory

The thirteen (13) month average materials and supplies inventory will be analyzed to determine the nature of the various materials and supplies. The inventory will be assigned to functions consistent with the gross plant in service to which the materials and supplies inventory relates. To the extent not specifically assignable, the inventory will be allocated to two or more functions, as appropriate, on the basis of gross plant.

F. Thirteen (13) Month Average Payments

Thirteen (13) month average prepayments will be assigned to functions in accordance with the nature of the prepayments. Prepayments not capable of specific assignment to functions will be allocated to two or more functions, as appropriate, on the basis of gross plant.

G. Cash Working Capital

Cash working capital will be allocated to functions (by account) in proportion to the operation and maintenance expense (excluding fuel cost) assigned to functions in Section III-8.

H. Thirteen (13) Month Average Retirement Fund Deferred Contributions

The thirteen (13) month average retirement fund deferred contributions will be allocated to functions (by account) in proportion to the labor component of O&M expenses in Section III-8.

I. Thirteen (13) Month Average Accrued Payroll and Employee Benefits

The thirteen (13) month average accrued payroll and employee benefits will be allocated to functions (by account) in proportion to the labor component of the O&M expenses in Section III-B.

Note:

(1) Rate base items that are contributed assets shall be valued at zero cost, and the rate base shall be reduced by the full amount of any grants from any unit of the United States Government, the Government of Guam or any other source. Any grants or other deductions that cannot be traced to specific assets will be allocated to two or more functions, as appropriate, on the basis of previously allocated gross plant investment.

(2) Direct assignment investments are defined to include only those property items and related rate base elements that are used to supply service exclusively either to Navy loads or to GPA loads.

III. Functionalization of Cost of Service Elements

Cost of service elements will be functionalized as production, transmission, distribution, customer accounting or direct assignment, using the procedures specified herein.

A. Return Requirement

The return requirement (return) will be developed from the target debt service coverage ratio (DSCR). The debt service coverage ratio used to establish rates to be charged to Navy will be the same DSCR found appropriate by the PUC for the GP A system and incorporated in the rates charged to all non-Navy customer classes. The return requirement will be allocated to functions in proportion to the rate base assigned or allocated to functions in Section II above.

B. Operation and Maintenance Expenses

Operation and maintenance expenses will be assigned to functions as specified herein. In functionalizing O&M expense, the 'labor' component and the 'other' (remaining) component of each account will be separately functionalized and tracked. Supervision and engineering expenses will be allocated to the related accounts in proportion to the labor component of those accounts prior to accomplishing the functionalization in III.B .1 through 5 below¹.

1. Production O&M expenses. Expenses recorded in Accounts 500 through 507, 510 through 514, 517 through 525, 528 through 532, 535 through 545, 546 through 550, 551 through 554,

¹ For example, expenses recorded in Account 560 (Transmission Operation Supervision and Engineering) will be allocated to the other transmission operation expense accounts (561-567).

and 555 through 557 will be assigned to the production function. Cost elements that are recovered through the fuel adjustment clause shall be excluded.

2. Transmission O&M expenses. Expenses recorded in Accounts 560 through 573 will be assigned to the transmission function or, if applicable, to the direct assignment function. To the extent not specifically identifiable, the allocation of transmission expenses between the transmission function and the direct assignment function will be on the basis of gross plant.
3. Distribution O&M expenses. Expenses recorded in Accounts 580 through 598 will be assigned to the distribution function or, if applicable, to the direct assignment function. To the extent not specifically identifiable, the allocation of distribution expenses between the distribution function and the direct assignment function will be on the basis of gross plant.
4. Customer Accounting, Customer Service and Information and Sales O&M expenses. Customer Accounting expenses recorded in Accounts 901 through 905, Customer Service and Information expenses recorded in Accounts 907 through 910 and Sales expenses recorded in Accounts 911 through 916 will be assigned to the customer accounting function.
5. Administrative and General Expense. Expenses recorded in Accounts 920 through 931 and 935 will be specifically analyzed to determine whether they relate to the production, transmission, distribution, customer accounting or direct assignment functions. Amounts not specifically associated with one of these functions will be allocated to two or more of these functions, if applicable, in proportion to the labor component of the operation and maintenance expense associated with these other functions.

C. Depreciation Expense

Depreciation expense will be assigned to the various functions as specified herein.

1. Production plant. Depreciation expense associated with production plant will be assigned to the production function.
2. Transmission plant. Depreciation expense associated with transmission plant will be assigned to the transmission function or, if applicable, to the direct assignment function, in proportion to gross plant.
3. Distribution. Depreciation expense associated with distribution plant will be assigned to the distribution function or, if applicable, to the direct assignment function, in proportion to gross plant.
4. General plant. Depreciation expense associated with general plant will be functionalized in the same manner that the gross investment in general plant is functionalized.

Note: No depreciation expense will be included in the revenue requirement for any contributed asset (including assets transferred or to be transferred to GPA) or for assets resulting from grants from any unit of the United States Government, the Government of Guam or any other source.

D. Taxes

Labor-related taxes will be allocated to the various functions in proportion to the labor component of the O&M expenses for the various functions. Other taxes will be allocated to the various functions in proportion to gross plant.

- E. Other Income and Expense, and Other Cost of Service Elements Other income and revenue will be a credit to cost of service. Interest income, Allowance for Funds Used During Construction (AFUDC) or equivalent carrying charges on construction expenditures will be allocated to functions in proportion to rate base; wheeling revenue will be assigned to the distribution demand functions; pole rentals will be assigned to the distribution demand functions; and other items will be specifically assigned, consistent with cost of service principles, or allocated in proportion to rate base if they cannot be specifically assigned.

Other expenses will be an addition to cost of service. Capital-related items will be allocated in proportion to rate base; wheeling expense will be assigned to the distribution demand category; and other items will be specifically assigned, consistent with cost of service principles, or allocated in proportion to rate base if they cannot be specifically assigned.

Other cost of service items are those specifically identified by the PUC and included in determining GP A's revenue requirement. These may include additions to cost such as capital improvement projects, contingencies and equity sinking funds and may also include reductions in expenses such as prior years cash and payment on government of Guam notes. This list of other cost of service items is for purposes of illustrations and is not intended to be all inclusive.

F. Total Cost of Service

The total cost of service by function will be the sum of the functionalized costs in Paragraphs A, B, C, D and E of Section III.

IV. Classification of Costs

The functionalized costs as developed in Section III will be assigned to the customer, demand and energy classifications as specified herein.

A. Operation and Maintenance Expense (including labor-related taxes)

1. Production O&M expense. The following elements of O&M expense from the production function (including labor-related taxes, related administrative and general expenses and allocated supervision and engineering expenses, but excluding cost elements recovered through the fuel adjustment clause) will be assigned to the energy classification: all of Accounts 501,503,504,512,513,514,518,521,522,530,531,532,543, 544, 545 and 541; the non-labor component of Accounts 502,505,519,520,523 and 538; and the as billed energy component of Account 555. All other expenses will be assigned to the production-demand classification.
2. Transmission O&M expense. All O&M expense (including labor-related taxes, related administrative and general expenses and allocated supervision and engineering expenses) from the transmission function will be assigned to the transmission-demand classification.
3. Distribution O&M expense. All O&M expense (including labor-related taxes, related administrative and general expenses and allocated supervision and engineering expenses) from the distribution function will be assigned to the distribution-demand classification. If this study

is to be used as a basis for determining the rates charged to other GPA customers, further classification into demand and customer components would be appropriate.

4. Customer accounting O&M expense. All O&M expense (including labor-related taxes, related administrative and general expenses and allocated supervision and engineering expenses) from the customer accounting function will be assigned to the Customer classification. Uncollectible expenses will be specifically isolated and treated as a sub classification of customer accounting expenses.

5. Direct assignment O&M expense. All O&M expense (Including labor-related taxes, related administrative and general expenses and allocated supervision and engineering expenses) from the direct assignment function will be separately isolated for direct assignment either to the Navy or to GPA.

B. Return, Depreciation and Other-Taxes

1. Production. Return, depreciation and other taxes associated with the production function will be assigned to the production-demand classification, except for the return, depreciation and other taxes related to the following items, which will be assigned to the energy classification: the variable portions of cash working capital, thirteen (13) month average Retirement Fund Deferred Contributions and thirteen (13) month average Accrued Payroll and Employee Benefits that are associated with energy-related O&M expense in Paragraph A of this Section.

2. Transmission. Return, depreciation and other taxes associated with the transmission function will be assigned to the transmission-demand classification.

3. Distribution. Return, depreciation and other taxes associated with the distribution function will be assigned to the distribution-demand classification for purposes of this study. If this study is also to be used as a basis for determining the rates charged to other GPA customers, further classification into demand and customer components would be appropriate.

4. Customer accounting. Return, depreciation and other taxes associated with the customer accounting function will be assigned to the customer classification.

5. Direct assignment. Return, depreciation and other taxes associated with direct assignment investment will be assigned to the customer or demand classification, as appropriate.

V. Allocation of Functionalized and Classified Costs to the Navy

Functionalized and classified costs will be allocated to the Navy as specified herein.

- A. Production demand-related costs will be allocated to the Navy using the twelve (12) coincident peak method, unless the cost allocation methodology for Production demand costs is revised under Article 12.6. Allocation of GPA production demand-related costs to Navy will be set equal to the ratio of the sum of Navy demands in each month coincident with the GPA system peak, to the sum of the monthly maximum demands of the GPA system (all measured at or adjusted to the transmission level) multiplied by the total test year demand-related costs.
- B. Transmission demand-related costs will be allocated to the Navy using the twelve (12) coincident peak method, unless the cost allocation methodology for Transmission demand costs is revised under Article 12.6. Allocation of GPA transmission demand-related costs to Navy will be set equal to the ratio of the sum of Navy demands in each month coincident with the GP A

system peak, to the sum of the monthly maximum demands of the GPA system (all measured at or adjusted to the transmission level) multiplied by the total test year demand-related costs.

- C. Distribution demand-related costs. No portion of these costs will be assigned or allocated to the Navy.
- D. Production energy costs. The allocation of energy-related costs to Navy will be set equal to the total of kilowatt-hours delivered to Navy divided by the total of all GPA kilowatt-hours delivered (all measured at or adjusted to the transmission level) times the total test year energy costs.
- E. Customer-related costs. Customer accounting costs applicable to the Navy shall be developed from an analysis of the costs associated with meter reading, billing and customer accounting for Navy accounts. In the absence of a special study, a weighted customer allocation shall be utilized, except for those customer-related costs which can be directly assigned. The Navy shall not be assigned or allocated any uncollectible or bad debt expenses associated with any other class. The customer-related costs will include direct assignments of the costs associated with facilities dedicated solely to supplying Navy load (if any) as well as the meter reading, billing and customer accounting related to serving the Navy account.
- F. Navy direct assignment costs. Costs identified as specifically related to the Navy will be assigned to the Navy.

VI. Development of Rate Applicable to the Navy

The rate components applicable to service provided to the Navy will be developed as indicated below.

- A. Customer charge. The customer component of the Navy rate will be determined by dividing the sum of the customer accounting costs from Section V-E and the customer-related Navy direct assignment costs from Section V-F by twelve (12).
- B. Energy charge. The energy rate for the Navy will be determined by dividing the energy-related costs from Section V-D by the forecasted Navy energy consumption.
- C. Demand charge. The demand charge will be developed by dividing the sum of the demand-related costs from Sections V-A and V-B and the demand-related Navy direct assignment costs from Section V-F by the forecasted Navy billing demands.
- D. The methodology for calculating rates to the Navy, and the design of rates to Navy, may be revised under the procedures specified in Article 12.

APPENDIX B

Fuel Clause Applicable to Navy Agreement

Navy's bill shall be subject to a charge for fuel cost. The charge will be determined by multiplying a Unit Fuel Cost times the total kilowatt hours for which the bill is rendered.

The Unit Fuel Cost will be calculated by the following formula for the current month:

$$\text{Unit Fuel Cost} = (A \pm R) \div C$$

Where:

A= Actual cost of fuel consumed in IWPS

C = Actual IWPS kWh production (loss adjusted to delivery at the 34.5 kV level)

R = Refunds or credits from suppliers

The Unit Fuel Cost will be recalculated monthly.

Actual cost of Fuel (A) for a month consists of the purchased commodity cost of fuel burned that month plus the net cost (positive or negative) of price hedging transactions such as swaps, call options and collars, plus, if applicable, other fuel cost elements used by the PUC to determine the fuel rates.

Refunds and/or credits (R) from fuel supplier shall be flowed through to Navy, and other adjustments will be made, as appropriate, to ensure that Navy pays only its proportionate share of GPA's actual fuel cost.

Fuel clause billing will be adjusted on a monthly basis to reflect the difference between the actual fuel cost and the weekly payments by Navy.

Navy will be provided a copy of the computation and support for the Unit Fuel Cost each month.