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September 15, 2023

Senator William A. Parkinson
37th Guam Legislature
Chairperson, Committee on Fire, Agriculture, Power and Energy Utilities,
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Re: Testimony of Chief Administrative Law Judge Frederick J. Horecky, Guam Public Utilities Commission, on Bill No. 142-37(COR)

The Guam Public Utilities Commission ["PUC"] opposes the enactment of Bill No. 142-37 (COR). Passage of this bill will probably increase the power rates of ratepayers, will likely be destructive and damaging to the island wide power system, and potentially cause more load shedding and power outages.

I. PASSAGE OF A BILL TO INCREASE THE LIMIT OF NET METERING GENERATING CAPACITY FOR NON-RESIDENTIAL CLASS CUSTOMERS FROM 100KW TO 500KW WILL LIKELY CAUSE AND TRIGGER A SUBSTANTIAL RATE INCREASE.

GPA's testimony on this bill indicates that it currently subsidizes net metering customers at a cost of \$5M annually. If Bill No. 142-37 is enacted into law, GPA will experience a revenue impact loss estimated at \$12M. The total NEM impact caused by this Bill will be an estimated \$17M annually. GPA cannot maintain an annual loss of \$17M without a rate increase: **"this**

change will certainly require GPA to file for a rate increase to cover its operating cost which is borne by only the non-NEM customers.” (Emphasis added). GPA’s estimated revenue loss impact does not even include new commercial net metering builds of 500kw nor the cost for impact studies in mitigation projects to address the proposed 400% energy generation increase. The Guam Public Utilities Commission is required by law to provide GPA with all rates necessary to cover the full cost of service. 12 GCA §12105(e). The PUC could not ignore the magnitude of such a revenue impact loss.

II. INCREASING COMMERCIAL NET METERING CAPACITY TO 500KW WILL NOT PROVIDE LOAD CAPACITY THAT GPA NEEDS NOR ASSIST GPA WITH LOAD SHEDDING.

At the public hearing, a rosy view was presented that the added commercial net metering resulting from this bill would create sufficient load capacity for GPA and solve problems of load shedding. Such view is not accurate. The reality is that most existing customers, residential or commercial, do not have energy shifting batteries and do not significantly reduce the overall demand or assist with providing additional capacity during peak hours. Without battery storage, commercial systems will be useless to provide additional capacity. There is no reason to believe that commercial net metering customers will necessarily install batteries in their systems. The empirical evidence to date suggests that many or most commercial installers of 500kw systems will not include battery storage because of cost considerations. The alleged benefits of Bill No. 142-37 are illusory. The testimony of business owners indicates that they will expand solar capacity for their own use, or potentially for sale to other customers.

There will be an extreme negative financial impact on GPA caused by this bill. On the other hand, solar businesses will profit by selling new systems to other customers. Such systems may also be built by businesses for the purpose of excess capacity, which will be paid for by GPA. This proposal is not in the interest of most ratepayers who are non-NEM customers. Roughly 2,500 out of 51,000 ratepayers are NEM customers. Non-NEM customers will bear the cost and burden of these new systems.

III. INCREASING COMMERCIAL LOAD CAPACITY TO 500KW WILL PROBABLY CAUSE INSTABILITY IN THE POWER SYSTEM AND MORE OUTAGES.

The sponsor and business supporters of this bill imply that the bill will have a positive and beneficial impact on the island power system. However, such an implication is also incorrect. Bill No. 142-37 will cause an increase in the load upon the existing system. Such additional load will be more than the system can handle. GPA has contended in prior PUC dockets that net metering systems without frequency control capability can overload system circuits, degrade system reliability, and cause intermittency and cause disruption in the system. There is a need to mitigate issues due to intermittent solar supply and its disruption of the system. NEM growth without batteries will significantly degrade reliability. The intermittency of solar PV supply can also cause conventional generators to trip offline.¹

¹ GPA’s Proposed Optional Energy Storage System (ESS) Rate, PUC Docket 20-09, submitted by John M. Benavente, General Manager, April 2021.

An influx of large 500KW systems into the island grid will potentially overload circuits and cause instability and unreliability in the system. Increasing the generation capacity limits of net metering customers from 100kw to 500kw will not address power outage issues. This is because grid tied net metering systems cannot stay on during power outages based on safety requirements. Such instability will cause more outages and load shedding. Also, there are voltage and reverse power issues that need to be mitigated with the increase of generation capacity by net metering customers. Increasing net metering generation capacity and the installation of additional large solar PVs without sufficient and properly configured energy storage systems and microgrid controllers add to the problems of stable grid operation. At present, many net metering systems cause electrical issues for their non-net metering neighbors. GPA is now in the process of conducting a study that analyzes the impacts of distributed generation on the distribution system.

In previous testimony, the PUC has taken the position that utility scale PV plants are a far more efficient means of adding solar power to the power system than net metering. Net Metering installed since 2008 has only produced 32MW of load capacity in fifteen years. Net metering is not a solution for the load capacity issues that GPA faces.

IV. IF BILL NO. 142-37 BECOMES LAW, THE PUC MAY LIKELY BE COMPELLED TO REDUCE THE COMPENSATION RATE FOR ALL NET-METERING CUSTOMERS.

At present, net metering customers, or “customer generators” are entitled to receive credit for 100% of the power generation capacity at the rate GPA currently charges the customer. 12 GCA §8506. Such customers contribute nothing to base rate costs such as operation and maintenance of the plants and distribution systems and debt service. With the proposed 400% energy generation increase, it can be expected that GPA’s revenue losses will rise substantially. Under the bill the benefits to commercial net metering customers will be subsidized by GPA to its financial loss.

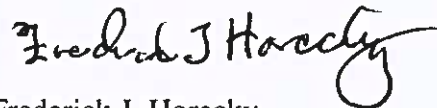
In the past, the PUC has declined to reduce the “one-to-one” compensation which net metering customers received, for each kw produced, on the theory that such reduction could inhibit the growth of the solar industry. The time may have come to reassess the current compensation level. The passage of this bill and the negative revenue loss impact on GPA may possibly compel PUC to reduce the current level of compensation to all net metering customers. GPA has recommended a “Value of Solar” (“VOS”) rate to replace the current one-to-one compensation. Many jurisdictions, including Hawaii and California have altered the one-to-one compensation rate for net metering customers. More recently, the PUC has been considering again examining the compensation rate; it is likely that, if this Bill is passed, the PUC will seriously undertake a reexamination of the existing compensation and possibly reduce that rate.

CONCLUSION

Bill No. 142-37(COR) should not be enacted. The Bill would likely result in higher power rates for the ratepayers of Guam, and the burden would particularly fall upon non-NEM customers.

There is a clear danger that this Bill could exacerbate the instability of the power system and cause even more outages than are presently occurring. This bill will not provide useful additional load capacity or reduce power outages. The bill may benefit some commercial net metering customers, but it will be to the detriment of average ratepayers. The PUC was responsible for the creation of the net-metering tariff and implementation of the renewable energy system in Guam. Whether the limit of commercial net metering capacity should be increased is an issue which should be addressed by the Guam Public Utilities Commission.

Sincerely,

A handwritten signature in black ink that reads "Frederick J. Horecky". The signature is written in a cursive style with a large, looped final letter.

Frederick J. Horecky
Chief Administrative Law Judge
Guam Public Utilities Commission