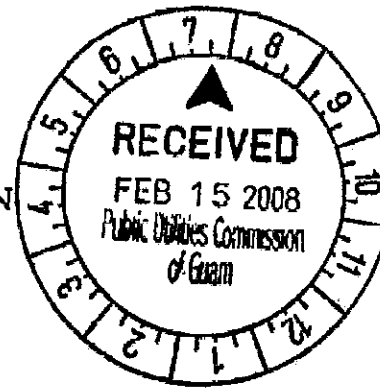


BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



GUAM POWER AUTHORITY  
PETITION FOR BASE RATE RELIEF

DOCKET 07-10

**FY08 RATE DECISION**

*Background*

On October 4, 2007, after complying with the pre-filing notice requirements of 12 GCA § 12001.2, Guam Power Authority [GPA] petitioned the Guam Public Utilities Commission [PUC] for rate relief, which would result in additional revenues of \$26.9 million per year – a base rate increase of 19.72%. GPA proposed that the increase be phased in two steps: an initial increase of 13.15% on February 1, 2008 and a second increase of 6.57% on October 1, 2008. On October 31, 2007 the Department of Defense [DOD] intervened as an interested party. Georgetown Consulting Group [GCG], which serves as PUC's independent regulatory consultant, was joined as a party pursuant to PUC Rule 5.

After undertaking discovery regarding the GPA petition during the period October 26, 2007 to December 12, 2007, DOD and GCG filed testimony on January 11, 2008 and rebuttal testimony on January 28, 2008, which dispute certain aspects of the GPA petition. As a result of a settlement conference, which was conducted from January 31 through February 5, 2008, the parties entered into a stipulation [Stipulation], in which they recommend terms and conditions under which they would support a PUC award of base rate relief to GPA.

After carefully considering the Stipulation, the record herein and the February 12, 2008 report of its administrative law judge [ALJ], for good cause shown and on motion duly made seconded and carried by the affirmative vote of the undersigned commissioners, PUC makes the following determinations.

*Determinations*

1. GPA has complied with the requirements of the Ratepayer's Bill of Rights in this docket.
2. 12 GCA § 12001.2[d] requires that in each GPA rate proceeding, PUC should consider the results of an annual staffing study of GPA, which PUC is required to conduct under this statute. As part of its deliberations

in this proceeding, PUC has considered GCG's January 26, 2008 staffing study, including materials referenced therein.

3. GPA should be awarded, for meters read on and after March 1, 2008: a] a civilian rate increase, excluding lifeline, of 6.14%; and b] a 24.25% increase in DOD rates. This increase is projected to yield an additional \$11 million in annual revenues.
4. The effectiveness of the civilian rate increase and 5.8% of the DOD increase should be suspended until June 1, 2008. If prior to June 1, 2008 the Government of Guam [*GovGuam*] pays not less than \$6.9 million of the \$12.73 million delinquent streetlight arrearage<sup>1</sup> [*Arrearage*], then the effectiveness of these suspended rates will be further suspended until March 1, 2009.<sup>2</sup> GPA should be authorized to negotiate an arrangement by which GovGuam could pay the Arrearage in monthly installments, which would be at least equal to the revenue stream created by the rate increases. The terms of any such arrangement should be subject to PUC review and approval during the May 2008 regulatory session. In the event GovGuam fails to make this payment or arrangement then the rate increases would go into effect on June 1, 2008 and should be compressed<sup>3</sup>.
5. In preparation for PUC's May 2008 regulatory session, ALJ should be authorized and directed to oversee regulatory proceedings to examine the feasibility and, if appropriate, to schedule and notice PUC initiated proceedings to: a] impose an Arrearage surcharge on the Executive Branch to recover the Arrearage; and b] amend GPA's collection policy to empower GPA to treat all non-autonomous components of the Executive Branch, including streetlights, as one aggregate customer and to disconnect electric service to any and all non-essential service to this aggregate customer, or any part thereof, in the event there is a delinquency by any part of this aggregate customer in the payment of GPA invoices, including the Arrearage.
6. GPA's request that it be awarded a 6.57% rate increase effective October 1, 2008 and GCG's recommendation that GPA's lifeline rate be increased

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<sup>1</sup>The Arrearage has likely grown in FY08 because of an ongoing GovGuam funding shortfall.

<sup>2</sup> Pursuant to the Customer Service Agreement between GPA and DOD, DOD would be entitled to credit for 16% of any funds paid by GovGuam on the Arrearage.

<sup>3</sup> The rates would be compressed to enable GPA to collect the FY08 rate revenues it would otherwise have received had the rate increase not been suspended.

should be both deferred until Phase II proceedings in this docket<sup>4</sup>, which would be brought before PUC for consideration during PUC's February 2009 regulatory session or at such later date as is necessary consistent with determination 7 below.

7. GPA should undertake a focused management audit of its operations under an engagement scope and process approved by PUC. The Phase II rate proceedings, which are described in determination 6, should not occur until this audit has been filed with PUC for review and approval.
8. PUC should continue to use a 1.75x debt service coverage ratio in GPA rate proceedings, subject to a party's right to assert for good cause shown that a different ratio should be applied.
9. A new GPA \$2.50 transactional service charge should be implemented effective March 1, 2008 for a customer's use of a credit card to pay a bill.
10. GPA's self-insurance surcharge program should be amended effective March 1, 2008 by increasing: a] the surcharge ceiling from \$2.5 million to \$10 million; and b] the surcharge from \$0.00145 per kWh to \$0.00290 per kWh for civilian ratepayers and from \$0.00035 per kWh to \$0.00070 per kWh for DOD.
11. GPA's \$5.296 million fuel inventory revenue requirement should be shifted from base rates to the LEAC as a fuel related expense effective August 1, 2008. This revenue requirement should be subject to a true up and reconciliation process, which should be developed under ALJ oversight for PUC consideration in the upcoming July 2008 LEAC proceedings. In the event, GovGuam pays not less than \$5.296 million of the Arrearage on or before August 1, 2008, then GPA customers should not be required to fund this expense. GPA should be authorized to negotiate an arrangement by which GovGuam could pay this amount in monthly installments over a twelve-month period. The terms of any such arrangement should be subject to PUC review and approval.
12. An \$18.338 million GPA capital improvement projects ceiling for FY08, excluding blanket job orders, should be approved.
13. GPA rate schedules F and H should be amended, consistent with the Stipulation.

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<sup>4</sup>The parties recommend that PUC reserve the authority to examine all Phase II activities discussed in their testimony [for example, self insurance fund revised ceiling and protocol, FY09 CIP ceiling, rate design issues, FY09 salary increases, etc.].

### *Ordering Provisions*

After careful review and consideration of the above determinations, the report and recommendations of ALJ, the Stipulation and the record herein, for good cause shown, on motion duly made, seconded and carried by the undersigned commissioners, the Guam Public Utilities Commission **HEREBY ORDERS THAT:**

1. All rulings and orders of the ALJ, including without limitation his October 22, 2007 memorandum order regarding coverage ratio, in this proceeding are confirmed and ratified. All motions not heretofore granted or denied are denied. No other matters currently require discussion.
2. GPA is awarded, for meters read on and after March 1, 2008: a) a civilian rate increase, excluding lifeline, of 6.14%; and b) a 24.25% increase in DOD rates.
3. The effective date of the civilian rate increase and 5.8% of the DOD increase is hereby suspended until June 1, 2008. If prior to June 1, 2008 the Government of Guam [*GovGuam*] pays not less than \$7.9 million of the Arrearage, then the effective date of these suspended rates shall be further suspended until March 1, 2009. GPA is hereby authorized to negotiate an arrangement by which GovGuam could pay the Arrearage in monthly installments, which would be at least equal to the revenue stream created by the rate increases; provided, however that the terms of any such arrangement shall be subject to PUC review and approval during the May 2008 regulatory session. In the event GovGuam fails to make this payment or arrangement then the suspended rate increases shall, unless otherwise ordered by PUC, go into effect on June 1, 2008 and be compressed<sup>5</sup>.
4. In preparation for PUC's May 2008 regulatory session, ALJ is hereby authorized and directed to oversee regulatory proceedings to examine the feasibility and, if appropriate, to schedule and notice PUC initiated proceedings to: a) impose an Arrearage surcharge on the Executive Branch to recover the Arrearage; and b) amend GPA's collection policy to empower GPA to treat all non-autonomous components of the Executive Branch, including streetlights, as one aggregate customer and to disconnect electric service to any and all non-essential service to this aggregate customer, or any part thereof, in the event there is a delinquency by any part of this aggregate customer in the payment of GPA invoices, including the Arrearage.

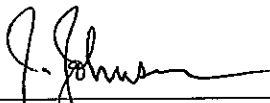
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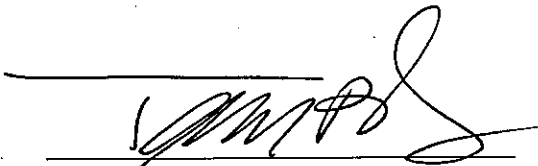
<sup>5</sup> The rates would be compressed to enable GPA to collect the FY08 rate revenues it would otherwise have received had the rate increase not been suspended.

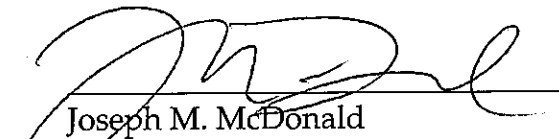
5. GPA's request that it be awarded a 6.57% rate increase effective October 1, 2008 and GCG's recommendation that GPA's lifeline rate be increased are both deferred until Phase II proceedings in this docket, which shall be brought before PUC for consideration during PUC's February 2009 regulatory session or at such later date as is necessary to enable PUC to consider in such proceeding the audit required under order section 6 below.
6. GPA shall undertake a focused management audit of its operations under an engagement scope and process approved by PUC. Phase II proceedings, as described in order section 5 above, shall not occur until this audit has been filed with PUC for review and approval.
7. PUC shall continue to use a 1.75x debt service coverage ratio in GPA rate proceedings, subject to any party's right to assert for good cause shown that a different ratio should be applied.
8. A new \$2.50 transactional service charge is hereby approved for implementation effective March 1, 2008 for a customer's use of a credit card to pay a bill.
9. GPA's self-insurance surcharge program is hereby amended effective March 1, 2008 to increase the surcharge ceiling from \$2.5 million to \$10 million and to increase the surcharge from \$0.00145 per kWh to \$0.00290 per kWh for civilian ratepayers and from \$0.00034 per kWh to \$0.00070 per kWh for DOD.
10. GPA's \$5.296 million fuel inventory revenue requirement shall be shifted from base rates to the LEAC as a fuel related expense effective August 1, 2008. This revenue requirement shall be subject to a true up and reconciliation process, which will be developed under ALJ oversight for PUC consideration in the upcoming July 2008 LEAC proceedings. In the event, GovGuam pays not less than \$5.296 million of the Arrearage on or before August 1, 2008, then GPA customers will not be required to fund this expense. GPA is hereby authorized to negotiate an arrangement by which GovGuam could pay this amount in monthly installments over a twelve-month period. The terms of any such arrangement shall be subject to PUC review and approval.
11. An \$18.338 million GPA capital improvement projects ceiling for FY08, excluding blanket job orders, is hereby approved.

12. The amendment of GPA's rate schedules F and H is hereby approved, consistent with the Stipulation.
13. GPA shall pay PUC's expenses, including without limitation, consulting and counsel fees and expenses and the expenses of conducting the hearing process.
14. PUC reserves the jurisdiction and authority to conduct Phase II and other supplemental proceedings in this docket and to consider and take action on matters discussed in the Stipulation and other related regulatory matters.
15. ALJ is authorized and directed to oversee such administrative tasks including the review of salary increases as recommended in his report and to issue such administrative orders as may be reasonable and necessary to implement this Decision. ALJ is further authorized to interpret this Decision, consistent with its intent.


Dated this 15<sup>th</sup> day of February 2008.

  
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Jeffrey C. Johnson

  
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Terrence M. Brooks

  
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Joseph M. McDonald

  
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Filomena M. Cantoria

  
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Rowena E. Perez