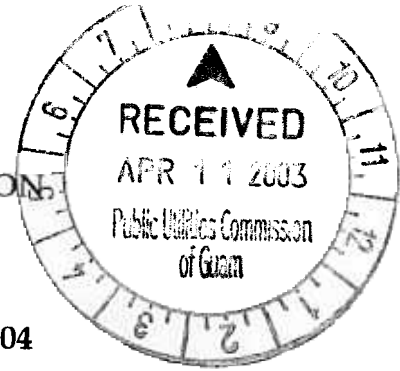


BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



GUAM POWER AUTHORITY
GENERAL REGULATORY DOCKET

DOCKET 94-04

ORDER

By this Order, duly considered at the Commission's April 10, 2003 meeting and by the affirmative vote of at least four Commissioners, the Commission takes action on a number of regulatory matters concerning Guam Power Authority. In advance of considering these matters, the Commission records its appreciation for the spirit of cooperation, which has hallmarked its meetings during the April regulatory session with the Consolidated Commission on Utilities [CCU] and with veteran GPA interim manager John Benavente. This Order addresses the following regulatory subjects:

1. LEAC - April 1, 2003 through September 30, 2003.

GPA has requested that the current LEAC factor [*\$0.0488309 cents per kilowatt hour*] continue in place for the next six-month cycle. GPA has cautioned that it may be compelled to petition the Commission in advance of the next cycle for relief to address its current and potentially growing \$12.3 million LEAC under recovery. GPA tariff schedule Z permits an interim petition when the LEAC recovery balance exceeds \$2 million. GPA understands that in any such proceeding, it will bear the burden of proving that the under recovery constitutes reasonable expenses. During the Commission's April 1, 2003 public hearing on LEAC, GPA confirmed on the record that it will petition the Commission to consider the outstanding under recovery not later than the September proceeding, which will set the LEAC for the next six month cycle.

After discussion, and on motion duly made, seconded and carried, the Commission orders that the current LEAC factor shall remain in place for the next six-month cycle. GPA shall, not later than its next LEAC filing [for the period October 1, 2003 through March 30, 2004], petition the Commission for consideration of its outstanding LEAC under recovery. GPA shall strictly comply with the filing content and deadlines, as set forth in the LEAC protocol in Docket 95-01 dated January 22, 1996.

2. GPA Staffing Study.

On April 1, 2003 the Commission conducted a public hearing to consider Georgetown's staffing study of GPA. The study is mandated by P.L. 26-23 and by the Commission's September 13, 2001 Order. By letter dated March 31, 2003, GPA reported that "it has no substantive objections to the report at this time". After discussion and on motion duly made, seconded and carried, the Commission orders that the study be approved. ALJ is authorized and directed to cause the publication of the study results in accordance with the requirements of P.L. 26-23. For the record, the Commission notes advice from CCU that it intends to pursue legislation, which will relieve GPA and GWA from the staffing study requirements of P.L. 26-23.

3. Cabras PMC Activities.

Mr. Blair's March 11, 2003 letter presents Georgetown's view on the status of GPA compliance with orders and stipulations concerning the procurement of PMC management for Cabras baseload plants 3 and 4. This report finds that procurement efforts are stalled and that the plants are not operational, which causes GPA ratepayers to suffer significantly increased fuel expenses. Georgetown recommends that GPA proceed with the PMC with all deliberate speed and that the excess fuel expenses caused by status of Cabras 3 and 4 be addressed in LEAC proceedings.

GPA, by letter to the Commission dated April 1, 2003 [*the "April 1 letter"*], recognizes the importance of bringing Cabras 3 and 4 on line in peak operational status. GPA requests that the Commission support a GPA action plan, which would focus on: a) resolving outstanding disputes and litigation with HSD regarding the Cabras plants; b) getting the plants repaired and operational on an expedited basis; and c) permitting CCU a reasonable period of time to review the proposed Cabras 3 and 4 PMC RFP before referring it to the Commission for review under the 12 GCA 12004 contract review protocol. GPA has also pledged to bring its regulatory account in Docket 02-04 current not later than May 15, 2003.

After due consideration, and on motion made, seconded and carried, the Commission resolves that it will accept on an interim basis, the action plan proposed in the April 1 letter and will as an *interim* measure put in abeyance its outstanding orders concerning Cabras 3 and 4 PMC. However, the Commission reserves the authority to reinstate the force and effect of these

orders in the event the April 1 action plan is not executed by GPA in an expeditious and effective manner. In this regard, at CCU's request, the Commission has offered to serve as a mediator between GPA and HSD to explore settlement of all outstanding disputes between them. Such a resolution would facilitate the accomplishment of the objectives stated in GPA's April 1, 2003 letter.

4. Procurements.

The Commission has before it several GPA procurements, which require either approval or ratification of interim administrative approval.

a. TECP program.

By letter dated March 10, 2003 GPA has sought Commission approval to extend its existing TECP [*tax exempt commercial paper*] program for an additional two years. Under this program, GPA is provided a \$20 million liquidity facility through KBC bank. The current facility will expire on August 19, 2003. By Commission Order, GPA is required to obtain approval before extending the program's term. By letter dated March 25, 2003, Georgetown supports the GPA request, provided that the documentation, which extends the program be filed with the Commission.

After discussion and on motion made, seconded and carried, the Commission resolves to authorize GPA to extend the TECP program. GPA is ordered and directed to file the extension documentation with the Commission.

b. Ratification of Interim Contract Approvals.

During the period between the December 2002 and the current regulatory sessions, GPA requested expedited Commission action on several procurements and obligations, which require approval under 12 GCA 12004. These procurements include:

i] GPA procurement to remediate the Toto oil spill, pursuant to mandate and deadlines established by Federal EPA. After review and favorable recommendation from Georgetown, GPA was given Commission comfort to proceed with the procurement.

ii] GPA's procurement of residual fuel oil under long term requirements contract. After review of Georgetown comments dated March 11, 2003, GPA was given comfort to proceed with the procurement, subject to the condition that the terms and conditions of any *optional bid* under section 13.01 of the proposed contract be filed with the Commission for review and approval *before* the contract is executed.

iii] By filing dated February 6, 2003, GPA requested Commission approval of a 90 day \$10 million loan from the Bank of Guam to assist with GPA cash flow. Pursuant to authority under Commission resolution dated June 29, 1999 and after consultation with Georgetown and ALJ, Chairman Brooks issued an administrative order approving the proposed loan.

After reviewing these three procurements, the Commission on motion duly made, seconded and carried resolved to approve the procurements and to ratify, without reservation, the earlier actions of Chairman Brooks and ALJ with regard to the procurements.

c. Bill 58 - Revenue Bonds.

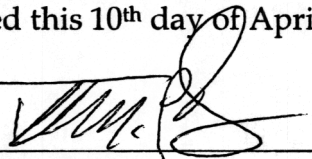
The Guam Legislature is currently considering Bill 58, which would authorize GPA to obtain revenue bond financing. On March 25, 2003, the Commission filed testimony on the bill, which stated that unless explicitly directed in the bill, it would interpret the bill as not requiring PUC review of the proposed financing. In the event Bill 58 is enacted into law with a requirement for PUC review, then it would be appropriate for the Commission to authorize its ALJ to commence an expedited regulatory review of the financing package. After discussion and on motion duly made and carried, the Commission resolved to authorize its ALJ to commence regulatory review of any GPA filing made with the Commission pursuant to the requirements of Bill 58. Final action on any GPA petition shall be made by the full Commission.

5. Amendment of customer deposit interest rate.

By letter dated March 31, 2003, GPA has requested Commission guidance concerning the need for regulatory approval of an amendment to the interest rate, which GPA pays on customer deposits. By letter dated April 1, 2003,

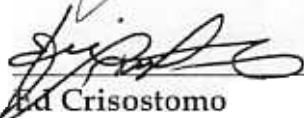
Georgetown supports the GPA proposal to change the interest rate. After review, the Commission finds that its review and approval of the interest rate amendment does not fall with the procedural requirements for rate amendments [see 12 GCA 12015]. Accordingly, after discussion and on motion duly made, seconded and carried, the Commission resolves to approve the GPA request.

Dated this 10th day of April, 2003.



Terrence Brooks

Joseph McDonald

Filomena Cantoria

Ed Crisostomo

Gerald Woo