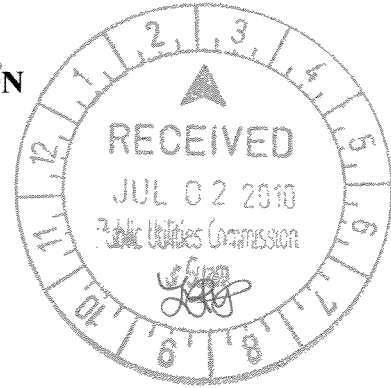


BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:)
) GPA Docket 10-02
)
NAVY LEAC ISSUES)
) Joint Stipulation of
) Settlement
)
_____)



This settlement agreement is hereby made between the Department of Navy (hereinafter Navy) and the Guam Power Authority (hereinafter GPA), collectively referred to as the "parties", to resolve a billing dispute arising under the Customer Service Agreement, Contract Number N62742-89-C-0201.

WHEREAS, the Navy has objected to the calculation of unit fuel costs, the inclusion of a charge for a Fuel Inventory Adjustment, and the costs of a wind study as a fuel cost in recent billings;

WHEREAS, the Navy has paid GPA the amounts billed by GPA pending resolution of the disputed bills;

WHEREAS, GPA maintains that it is not authorized to adjust its bills without the concurrence of the Public Utilities Commission due to required adjustments in LEAC rates approved by the Public Utilities Commission;

WHEREAS, GPA has proposed adjusting the Navy's billings to resolve, in part, the Navy's objections in its most recent LEAC filing;

WHEREAS, the Navy filed a complaint with the Guam Public Utilities Commission regarding fuel billings which has been docketed as GPA Docket 10-02;

WHEREAS, the parties seek to resolve the disputed billings to the mutual satisfaction of each and without further litigation;

NOW, THEREFORE, in consideration of the mutual promises and agreements of the parties hereto, each to the other, and other valuable consideration, the parties, intending to be legally bound, hereby agree as follows:

1. GPA agrees to adjust Navy billings to refund the amount of \$4,117,098.39 covering the period of October 2008 through April 2010 to account for an error in the calculation of the Unit Fuel Cost in accordance with Attachment III to the Customer Service Agreement which requires Actual Island Wide Power System kwh production to be calculated at the loss adjusted to delivery at the 34.5 kV level. GPA further agrees future Unit Fuel Costs will be calculated using the methodology specified in Attachment III.

2. GPA shall credit the Navy with the refund in paragraph 1 in equal installments over a one-year period beginning with the August 2010 invoice.
3. The Navy agrees to withdraw its complaint relating to charges for the Fuel Inventory Adjustment and the inclusion of the wind study as a fuel related cost. Such withdrawal, however, shall be without prejudice to the ability of the Navy to contest these or other charges and costs that are reflected on or included in invoices received after the date of this agreement and shall not serve as precedent for the characterization of other costs to be billed to the Navy as fuel costs.
4. GPA agrees to provide the Navy prompt notice of any proposal to characterize a new type of cost, or recharacterize any existing cost as a fuel cost. The Navy shall be afforded the opportunity to comment on and submit its position to GPA and/or the Public Utilities Commission, consistent with its Rules, as appropriate.
5. The Parties agree that this is a complete and final settlement of the Navy's complaint docketed as GPA Docket 10-02 and neither party shall seek further relief, at law or equity, in connection with, or arising out of or incidental to the complaint to include any costs or attorney fees.
6. This agreement shall become binding upon the parties upon the issuance of an appropriate order of the Public Utilities Commission in this and/or LEAC Docket No. 02-04.

SO AGREED, this date of 2 July 2010.

FOR THE DEPARTMENT OF NAVY



Richard J. Huber 7/2/10
Counsel
Naval Facilities Engineering Command
Marianas

FOR GUAM POWER AUTHORITY



Graham Botha 7/2/10
Counsel
Guam Power Authority