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8 **BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

9 IN THE MATTER OF: ) **GPA DOCKET NO. 10-02**  
10 )  
11 ) **NAVY LEAC ISSUES** ) **GUAM POWER AUTHORITY'S**  
12 ) **RESPONSE TO NAVY BILLING**  
13 ) **DISPUTE AND NAVY LEAC ISSUES**

14 **COMES NOW**, the GUAM POWER AUTHORITY (GPA), by and through its counsel  
15 of record, D. GRAHAM BOTHA, ESQ., and hereby files GPA's response to the Navy complaint  
16 filed on June 15, 2010, and as set forth in the PUC Amended Scheduling Order dated June 18,  
17 2010.

18 In the Navy complaint, the Navy noted that the fuel charges to the Navy were not  
19 properly calculated in accordance with the terms of the Customer Service Agreement (CSA)  
20 between GPA and the Navy. In its June 15, 2010 LEAC filing, GPA agreed with the Navy  
21 position that under the GPA method of allocating fuel costs that Navy had been paying for  
22 distribution losses, even though Navy is a transmission level customer. The June 2010 LEAC  
23 filing indicates a billing adjustment to credit the Navy for the correct fuel allocation method.

24 The Navy complaint raises an issue of carrying costs of fuel inventory, which historically  
25 have been treated as working capital costs and incorporated into base rates. The PUC  
26 incorporated the fuel inventory carrying cost as a fuel related costs to be recovered under the  
27 LEAC, as set forth in its February 15, 2008, PUC rate order, which states: "GPA's \$5.296  
28 million fuel inventory revenue requirement shall be shifted from base rates to the LEAC as a fuel  
related expense effective August 1, 2008." GPA believes that the PUC intended to shift fuel  
inventory costs out of base rates to be recovered in the same manner as other fuel and fuel related  
costs. Unfortunately, since the Navy does not participate in LEAC, the PUC order did not

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1 address the extent and manner in which the Navy's fuel cost should be changed, or how this  
2 amount should be allocated to the Navy. The GPA position is that this additional amount should  
3 be allocated to the Navy, since it was originally allocated to the Navy in base rates. GPA  
4 requests that the PUC clarify this matter.

5 The remaining issue raised by the Navy is regarding the inclusion of the costs of a wind  
6 study as a fuel handling cost. The Navy does concede that the wind study may be highly  
7 desirable and costs could be allocated in part to the Navy, but believes that it is not properly  
8 classified as fuel costs under the CSA. The PUC authorized GPA to recover the costs of the  
9 study as a fuel and fuel related cost. GPA requests that the PUC address this matter.

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11 **RESPECTFULLY SUBMITTED** this 25<sup>th</sup> day of June, 2010.

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14 D. GRAHAM BOTHA, ESQ.  
15 GPA Legal Counsel  
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