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October 23, 2020

Senator Joe S. San Agustin
Chairman of the Committee on
General Government Operations,
Appropriations and Housing
senatorjoesanagustin@gmail.com

Re: Testimony of Chairman Jeffrey C. Johnson, Guam Public Utilities Commission, on
Bill No. 219-35(COR)

The Guam Public Utilities Commission ["PUC"] appreciates the opportunity to
comment on proposed Bill No. 219-35(COR). For the reasons stated herein, the PUC
opposes the enactment of Bill 219-35(COR).

The PUC supports the intent of the Bill to promote solar energy on Guam and "to aid in
attaining a lower cost for cleaner electricity production and usage..." Since 2008, the
PUC has been the entity that established and implemented the net metering program.
However, the actual impact of the proposed Bill, rather than reducing power rates, will
be to increase such rates for the ratepayers of Guam.

I. NO STUDY HAS BEEN DONE TO DETERMINE THE IMPACT OF THIS BILL UPON THE GPA TRANSMISSION AND DISTRIBUTION SYSTEM.

Before any Bill such as 219 is enacted, there must be a study and determination as to how it will impact the power system. This Bill will potentially damage the island wide power system by creating an influx of solar power into the GPA transmission and distribution systems, without any assessment or determination of whether GPA's system can handle the amount of solar energy produced by the net metering of these "institutions", and whether there would be a "demonstrated adverse impact on Guam Power Authority's transmission and distribution system." Net metering systems provided by the "institutions" will likely have no battery storage and will be useless in providing power to meet the peak load of the system for evening hours.

This Bill provides that many educational "institutions", including from Guam Department of Education (GDOE), Guam Academy Charter Schools, Guam Community College, and the University of Guam, and other "institutions" occupied under a lease agreement' "would all be authorized to enter into power purchase or sale Lease-Back agreements to purchase solar energy from "qualified providers". These agreements are alleged to be "in the best financial interest of the Government of Guam for a period of up to twenty-five (25) years and not to exceed forty (40) years."

Neither the Guam Legislature nor anyone else has conducted an inquiry or study as to how many megawatts of renewable solar energy this Bill would add into GPA's transmission and distribution systems if the "institutions" avail themselves for the provision of 80% of their power needs from net metering systems. The Bill will obviously impact the amount of renewable energy produced by net metering in the GPA system, and such providers are even authorized to locate solar energy systems "off-site", not just on the rooftops of such institutions.

John Benavente, General Manager of the Guam Power Authority, and John Cruz, GPA Assistant General Manager, Engineering & Technical, estimate that an additional 24.6MW of solar energy would be added to the power system by this Bill. If Bill 219 were fully utilized by the institutions, there would be 49.2MW of net metering energy in the system. Before such a Bill is enacted, there should be a study determining what total amount of renewable solar energy could impact the transmission and distribution systems, and whether such energy would have a negative impact on the system or cause intermittent frequency outages. 12 GCA § 8502(c)(2)(c) provides that GDOE may only exceed present net metering capacity limitations (i.e. 100kw for non-residential customers "as long as there is no demonstrated adverse impact on Guam Power Authority's transmission and distribution system..."

The Guam PUC, with its available utility consultants and experts, is the appropriate body to conduct such study. This Bill should not be enacted into legislation without a

study demonstrating that there would be no adverse impact upon GPA's distribution and transmission system through the substantial expansion of net metering.

II. BILL NO. 219-35 WILL RESULT IN AN INCREASE IN RESIDENTIAL POWER RATES.

The stated purpose of this Bill is to promote economy and "aide in maintaining a lower cost for cleaner electricity production and usage..." In fact, the actual impact will be the opposite—there will be higher power rates as a result of this Bill. The Bill presumes that the "institutions" power bills will be reduced, but does not even consider the negative rate impacts on GPA and non-net metering customers. There will be a tremendous loss of revenue for GPA. This amount of such loss should also be studied and determined before the Bill is enacted. Before the pandemic, GDOE was paying over \$1M per month in power bills, or \$12M per year; other institutions such as UOG and GCC may pay in excess of \$2M per year. Conversion of the institutions to net metering will cause a significant loss of revenue for GPA. Instead of receiving full retail rate payments from the "institutions", GPA will be forced to grant full retail rate credits to the institutions for solar power produced. Rate making is a "zero sum game". When GPA loses revenues from one source, it will need to make up such revenue loss by charging the non-net metering customers. Non net metering customers, which constitute 96% of ratepayers, will have to pay higher power rates.

Bill 219 essentially targets one of GPA's largest ratepayers and deprives GPA of the same level of revenues it presently receives. Why should "educational institutions" be

granted special treatment as net metering customers? Using the same logic, the Legislature could target all the government entities that are GPA's customers (DOA, DPW, GEDA, GHURA, GUAM HOUSING, etc.), and authorize net metering arrangements for all government entities. At present, the power rates for government entities subsidize residential power rates. By authorizing these arrangements, the Legislature negatively impacts the rate subsidies provided by government customers to the residential class. The impact will be an increase in residential rates. The residential subsidies, which have been in effect since the 1970s, will be effectively destroyed.

Rather than reducing power costs, this Bill will increase costs to GPA and the ratepayers of Guam. GPA will be compelled to credit such institutions for solar energy produced at the rate of approximately twenty-five cents (\$.25) per kilowatt hour. This will require increases in power costs for all non-net metering customers. Net metering arrangements are simply not a cost-effective method for reducing power costs to the ratepayers of Guam. The 120MW Utility scale production of renewable energy by GPA, which should be in operation within two years, will cost roughly six to eight- and one-half cents per kilowatt hour. Net metering energy that would be produced by the institutions would be three times the cost of utility scale solar energy produced by GPA. Even if reduced fuel costs are deducted, net metering energy is more than twice as expensive as GPA produced utility scale solar energy.

How can the net metering provisions of Bill 219-35 possibly be viewed as economical or lower cost? GPA's utility scale production for 45MW net metering plants on Naval properties, with battery storage, will produce power at a cost of eleven cents per kilowatt hour. GPA's utility scale power is far cheaper than the net metering arrangements supported in Bill No. 219-35. Power cost would be more "economical" if provided through utility scale solar energy plants, rather than net metering facilities.

Bill 219-35 is simply not in the interest of ratepayers.

III. BILL NO. 219-35 INTERFERES WITH THE INDEPENDENCE OF THE PUC AND ITS RATEMAKING FUNCTIONS, AND VIOLATES THE GPA/GWA BOND COVENANTS.

It is presently within the power of the Guam Public Utilities Commission to determine what penetration levels there should be for solar energy produced through net metering in the island wide power system. Net metering can cause instability and intermittent power outages in the power system. GPA has already demonstrated that the 25MW NRG solar plant in Dandan has caused such problems.

Issues concerning the penetration level for net metering energy in the GPA power system are for the determination of the independent rate setting body, the Guam Public Utilities Commission. What Bill No. 219 would do is actually increase the penetration level for net metering in the GPA power system far beyond what has been presently

been authorized by the PUC. Without a study, it is difficult to determine the full extent to which Bill 219 would increase current net metering levels. If 80% of the power produced by the “institutions” is through meter metering, John Cruz’ estimate is a 24.6MW increase in net metering production. Such an increase would grossly exceed the current net metering cap established by the PUC.

In PUC Docket 19-04, the PUC already set a penetration level of 10% of total GPA power production for net metering. When net metering produced energy of 26MW is reached, PUC has ordered a reevaluation of the net metering program. Net metering presently accounts for roughly 24MW. With the addition of 24MW, the cap would be greatly exceeded. This should not be allowed without prior review and approval of the PUC. In recent testimony provided on October 7, 2020, by GPA Bond Counsel John Wang, of the Orrick Law Firm, in opposition to Bill No. 315-35, he stated as follows:

“Any transaction that would involve net metering arrangements with GPA, the use of GPA’s transmission system, the use of GPA’s distribution system, ...must be subject to the approval of the GPUC after consideration of appropriate ratemaking policies, including the appropriate allocation of costs on various ratepayer classes.”

As with Bill 315, Bill No. 219-35 also involves net metering arrangements with GPA, the use of GPA’s transmission system, and the use of its distribution system. These arrangements must be subject to the prior review and approval of the PUC. Bill 219 will

definitely impact rates on various ratepayer classes. The PUC, not the Guam Legislature, must consider and evaluate the rate impacts.

Bill 219's attempt to increase the penetration level of net metering is a violation of the independence of the Guam Public Utilities Commission, a body created by the Organic Act of Guam as an "independent rate setting body." Bill 219 also violates the GPA/GWA Bond Covenants. In those covenants, the Guam Legislature agreed not to impair the powers, duties, or effectiveness of the PUC. Violation of the Bond Covenants by the Legislature could result in a bond default.

CONCLUSION

Bill No. 219-35 should not be enacted, as there has been no study concerning its impact upon the GPA distribution and transmission systems. The Bill would result in higher power rates for the residential ratepayers of Guam. It would interfere with the PUC's independence, as well as the Bond Covenants, by creating net metering relationships involving the use of the power system, and would negatively impact rate policies.

Sincerely,



Jeffrey C. Johnson
Chairman
Guam Public Utilities Commission