

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 17-19
)
The Guam Power Authority Levelized)
Energy Adjustment Clause (LEAC)) **PUC ORDER**
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On May 23, 2017, the Guam Consolidated Commission on Utilities, in Resolution No. 2017-16, authorized GPA Management to Petition the PUC for an increase in the LEAC factor from \$0.105051/kWh to \$0.117755/kWh effective for meters read on or after August 1, 2017.¹ Said factor would be effective for a six month period. In accordance with the protocol established by Guam Public Utilities Commission [PUC] Order dated January 29, 1996, as amended by Order dated March 14, 2002, Guam Power Authority [GPA] transmitted its LEAC Filing, dated June 8, 2017, to the PUC.²

Pursuant to CCU Resolution No. 2017-16, GPA requested that the Levelized Energy Adjustment Clause Factor ["LEAC"] be increased from \$0.105051/kWh to \$0.117755/kWh effective for meters read on or after August 1, 2017.³ This change would reflect a 12.7% increase in the LEAC factor, or a 6.4% increase in the total bill.⁴ If implemented, this change would result in a \$12.70 increase for a residential customer utilizing an average of 1,000 kilowatt hours per month.⁵

The basis indicated by GPA for the change in the LEAC factor is primarily the "continuing increase in worldwide fuel prices."⁶ The increase in fuel price is also attributable at least in part to "the recent news that OPEC and major non-OPEC producers will extend their existing output cuts for nine months to support oil prices."⁷ GPA believes that the market will remain within the \$50-55/bbl. range during the period.⁸ GPA also anticipates that the fuel price, effective August 1, 2017, will be \$56.79 per Bbl. RFO and \$70.83 for Diesel.⁹

¹ Guam Consolidated Commission on Utilities Resolution No. 2017-16, adopted May 25, 2017, at p.3.

² GPA Petition to Set the LEAC Factor effective August 1, 2017, GPA Docket 17-19, filed June 8, 2017.

³ Id. at p. 1.

⁴ Id.

⁵ Id.

⁶ Id.

⁷ Letter from GPA General Manager John Benavente, to ALJ Fred Horecky, Re: Levelized Energy Adjustment Clause Petition for the period of August 1, 2017 through January 31, 2018, dated May 31, 2017.

⁸ GPA LEAC Filing, GPA Docket 17-19, filed June 8, 2017, at p. 1.

⁹ Exhibit A to CCU Resolution No. 2017-16.

If, as GPA anticipates, the projected average fuel price ending January 31, 2018, is \$56.79/bbl, GPA would experience an under-recovery of about \$15.65M (were the LEAC factor to remain at the present rate).¹⁰ To fully recover the “under-recovery”, the LEAC factor would actually need to be increased from \$0.105051/kWh to \$0.130450/kWh for the period of August 1, 2017 to January 31, 2018.¹¹

However, for the second consecutive LEAC period, GPA has taken proactive steps to lessen the large impact of a LEAC increase upon ratepayers. Rather than recovering all of the fuel oil cost in this LEAC period, GPA prefers to gradually true-up fuel oil cost by phasing in increases over subsequent LEAC periods. GPA therefore recommends that the upcoming LEAC rate be one-half of what the market is projecting. Under this approach, GPA would only be recovering \$7.8M or 50% of the estimated under-recovery of \$15.65M at the end of this period.¹²

The PUC has previously determined that, before the LEAC factor is set for a particular period, an updated LEAC fuel forecast price should be prepared based upon the average of the five day period which is ten days before the meeting at which the PUC determines the LEAC factor.¹³

DETERMINATIONS

1. Counsel requested that GPA Assistant CFO Cora Montellano recalculate the 5 day average of the MS fuel forecast. On July 14, 2017, Ms. Montellano provided an updated “Proposed LEAC Rate”¹⁴. A true and correct copy thereof is attached to the PUC Counsel Report as Exhibit “1”.¹⁵
2. To determine updated applicable fuel prices herein, GPA used the average of 5 days forward pricing from Morgan Stanley Asia Noon Call from July 10-14, 2017.¹⁶
3. The updated analysis indicates that fuel prices have decreased slightly since GPA filed its Petition on June 8, 2017. As of the filing of the Petition, the average price

¹⁰ Exhibit A to CCU Resolution No. 2017-16.

¹¹ Id.

¹² Letter from GPA General Manager John Benavente, to ALJ Fred Horecky, Re: Levelized Energy Adjustment Clause Petition for the period of August 1, 2017 through January 31, 2018, dated May 31, 2017, at p. 1.

¹³ PUC LEAC Order, GPA Docket 15-27, dated January 25, 2016, at p. 2.

¹⁴ Email from Cora Montellano, GPA Asst. CFO, to PUC Counsel Fred Horecky, dated July 14, 2017, with GPA Proposed LEAC Rate, July 10-14, 2017 Pricing, Updated Filing.

¹⁵ PUC Counsel Report, GPA Docket 17-19, dated July 17, 2017, Exhibit 1.

¹⁶ Id.

per Barrel for Residual Fuel Oil was \$56.79. However, as of the date of the updated analysis on July 14, 2017, the average price per Barrel of RFO was \$55.47.¹⁷

4. As a result of the slight decrease in fuel prices since GPA filed its original Petition, GPA is now seeking a LEAC factor of \$0.117718, rather than \$0.117755/kWh, effective for meters read on or after August 1, 2017.¹⁸
5. However, GPA is only requesting that it recover \$7.805M, one-half of the \$15.65M estimated under-recovery in the upcoming LEAC period.¹⁹
6. GPA has again, for the second straight LEAC period, attempted to reduce the impact of the LEAC factor by only seeking to recover one-half of the fuel under-recovery in this LEAC period.
7. In accordance with established PUC protocol, the increased LEAC factor resulting from the fuel prices based upon the MS Noon Call from July 10-14, 2017, should be adopted. The LEAC factor should be \$0.117718/kWh as set forth in the GPA Proposed LEAC Rate-Updated Filing.

ORDERING PROVISIONS

After carefully reviewing the record in this proceeding, having considered the LEAC Filing of GPA and the PUC Counsel Report, and after discussion at a duly noticed regular meeting held on July 27, 2017, for good cause shown and on motion duly made, seconded and carried by affirmative vote of the undersigned Commissioners, the Guam Public Utilities Commission hereby **ORDERS** that:

1. The current singular LEAC factors are hereby adjusted, effective August 1, 2017, as shown in the following table:

LEAC	
<u>Delivery Classification</u>	<u>\$ per kWh</u>
Secondary -	\$ 0.117718
Primary – 13.8 KV	\$ 0.114153
Primary – 34.5 KV	\$ 0.113824

¹⁷ Id.

¹⁸ Email from Cora Montellano, GPA Asst. CFO, to PUC Counsel Fred Horecky, dated July 14, 2017, with GPA Proposed LEAC Rate-Updated Filing, July 10-14, 2017 Pricing.

¹⁹ Id.

Transmission – 115 KV \$ 0.112423

This change represents a 6.3% increase in the total bill for a residential customer utilizing an average of 1,000 kilowatt hours per month (an increase of \$12.67 per month).

2. GPA should file for a change in the LEAC factors to be effective February 1, 2018 on or before December 15, 2017.
3. As requested by GPA, the forecast of the Working Capital Fund Requirement will remain the same, so there will not be a change in the Working Capital Surcharge for the period of August 1, 2017, through January 31, 2018.
4. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

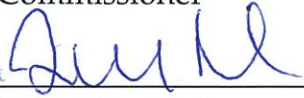
Dated this 27th day of July, 2017.



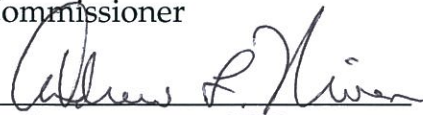
Jeffrey C. Johnson
Chairman



Joseph M. McDonald
Commissioner



Peter Montinola
Commissioner



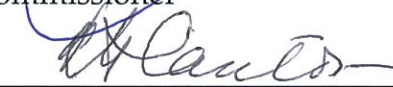
Andrew L. Niven
Commissioner



Rowena E. Perez
Commissioner



Michael A. Pangelinan
Commissioner



Filomena M. Cantoria
Commissioner