

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 22-15
)
Guam Power Authority Levelized Energy)
Adjustment Clause (LEAC)) **ORDER**
)
)
_____)



INTRODUCTION

This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] to increase the current LEAC factor effective July 1, 2022.¹ GPA is proposing a 3-step increase in the fuel recovery factor. As a result of further fuel price increases in the updated Morgan Stanley average noon call prices from May 30, 2022, through June 3, 2022, GPA is now seeking to raise the fuel recovery factor for the average residential customer from \$.209552/kWh to \$.251638 for meters read on or after July 1, 2022.² In addition, two further increases are requested: from \$.251638/kWh to \$.296043 effective September 1, 2022 and from \$.296043/kWh to \$.342338 effective November 1, 2022.³

An illustration of the impact of the 3-Phase Rate Increases (July-September-November) is attached to the ALJ Report as Exhibit "1".⁴ If these three increases are approved, the total cumulative increase for the average residential customer would be roughly 38% in

¹ GPA Petition, In the Matter of: Guam Power Authority Levelized Energy Adjustment Clause (LEAC), GPA Docket 22-15, dated June 1, 2022.

² Email from GPA CFO John Kim to PUC ALJ Fred Horecky dated June 7, 2022.

³ Id.

⁴ 3-Phase Rate Increases (July-September-November), dated June 7, 2022, Exhibit "1", attached to the ALJ Report.

the total bill. The LEAC Under-Recovery, as of June 30, 2022, is projected to be \$35.16M.⁵

BACKGROUND

On March 31, 2022, in GPA Docket 22-05, the PUC raised the LEAC factor from \$.180837 to \$.209552/kWh for meters read on and after April 1, 2022.⁶ Pursuant to GPA Tariff Schedule "Z", the PUC is required to set the LEAC Factor no later than August 1st for the next 6-month period.⁷ On May 24, 2022, the Guam Consolidated Commission on Utilities ["CCU"] approved GPA Resolution No. FY2022-21.⁸ The CCU approved a 3-Step increase as follows:

- a) 1st step - \$.240413 effective July 1, 2022 to August 31, 2022
- b) 2nd step - \$.270185 effective September 1, 2022 to October 31, 2022
- c) 3rd step - \$.296275 effective November 1, 2022 to January 31, 2023.⁹

GPA has requested "expedited relief" to set a new LEAC Factor effective July 1st to mitigate the growing under-recovery balance. The CCU also approved the withdrawal of up to \$10M in self-insurance funds to purchase fuel and stated that the self-insurance fund would be replenished from the surcharge, which is currently active.¹⁰

The ALJ filed his Report herein dated June 8, 2022. The PUC adopts the recommendations and conclusions of the Report.

⁵ Id.

⁶ PUC Order, GPA Docket 22-05, PUC Review of Levelized Energy Adjustment Clause (LEAC) Factor Pursuant to Tariff Z, dated March 31, 2022.

⁷ Guam Power Authority, Schedule "Z", Levelized Energy Adjustment Clause (LEAC), revised March 31, 2012.

⁸ Guam Consolidated Commission on Utilities, GPA Resolution No. FY2022-21, Authorizing the Management of the Guam Power Authority to Petition the Guam Public Utilities Commission for a Change in the Levelized Energy Adjustment Clause, adopted and approved on May 24, 2022.

⁹ Id., at p. 2.

¹⁰ Id.

DETERMINATIONS

I. THE PUC SHOULD REJECT THE REQUEST OF THE CCU TO WITHDRAW UP TO \$10 MILLION IN SELF-INSURANCE FUNDS TO PURCHASE FUEL.

This is not the first time that the CCU has made such a request. On January 28, 2021, in GPA Docket 21-04, the PUC did authorize GPA to withdraw \$10M from the Self-Insurance Fund and offset that amount against the LEAC Under-Recovery.¹¹ At that time the withdrawal of SIP funds reduced the self-insurance fund to roughly \$9M (from \$19M). The Self-Insurance Fund has grown from \$9.479M in September 2021 to \$11.544M in April 2022.¹²

However, at this time, approval by the PUC of the withdrawal of \$10M from the Self-Insurance Fund would deprive GPA of funds to address or repair damages caused by typhoons. If \$10M were withdrawn from the fund at present, the balance would be roughly \$1.5M. Such a small amount is not sufficient to address the damages that could result to Guam and the ratepayers from a significant typhoon.

The ALJ previously presented argument to the PUC that taking funds from the Self Insurance Fund to pay for fuel is not consistent with the purposes of the Self Insurance Program ("SIP"). The ALJ also opined that it could be illegal for GPA to use Self Insurance funds to pay for fuel, as the Self Insurance Fund is a restricted fund.

¹¹ PUC Order, Guam Power Authority Levelized Energy Adjustment Clause (LEAC), GPA Docket 21-04, dated January 28, 2021, at p. 3.

¹² LEAC Update-Restricted & Unrestricted Cash, CCU Board Packets submitted for GPA Work Session, May 19, 2022 (issues for Decision, p. 11).

The ALJ attached his prior analysis provided in GPA Docket 21-04 to his Report herein.

Self-Insurance is charged to ratepayers on their bills. When GPA is allowed to withdraw funds from the Self-Insurance Fund, Guam ratepayers end up paying again for the same self-insurance funds that they already paid for. It constitutes a double billing to ratepayers. When self-insurance funds are diverted for fuel payments, and the remaining self-insurance funds are below \$18M, ratepayers are required through the SIP surcharge to replace the same self-insurance funds that they already paid for previously.

During a phone conference on June 7 between GPA management officials and ALJ Horecky, GPA CFO John Kim suggested that GPA could be authorized to withdraw \$10M, as a "loan", or akin to a line of credit, from the Self-Insurance Fund, to purchase fuel. The PUC rejects this proposal. Further use of Self-Insurance funds to pay for fuel would deprive the Self Insurance Program of sufficient funds to address damage from a major typhoon. Self-Insurance funds may not be used to purchase fuel.

II. GIVEN THE DRASTIC INCREASES IN FUEL OIL PRICES SINCE JANUARY OF THIS YEAR, GPA HAS NO OPTION OTHER THAN TO PROPOSE INCREASES IN THE LEAC FACTOR.

From January 20, 2022, to June 7, 2022, the price of SING Gasoil 10 PPM (per barrel) has increased from \$102.12 to \$176.38.¹³ The SING HSFO 180 CST (per metric ton) high sulfur fuel oil prices have increased from \$501.43 (per metric ton) on January 20, 2022, to \$645.16 per metric ton on June 7, 2022. GPA's cost for diesel fuel and HSFO have risen by 70%.

¹³ ALJ Report, GPA Docket 22-05, dated March 28, 2022, at p. 6; see also Morgan Stanley, Asia Morning Call, Price Indication dated June 7, 2022.

Graphs submitted by GPA indicate that GPA RFO purchases (per barrel) have increased from \$79.65 in January 2022, to \$127.83 in April 2022. GPA Diesel purchases (per barrel) have increased from \$95.25 in January 2022, to \$150.80 in April 2022. Diesel fuel purchases are now approaching \$180 per barrel.¹⁴

The Fuel Landed Prices have also increased substantially. See "LEAC Update-Fuel Landed Prices", attached to the ALJ Report as Exhibit "3".

As indicated by GPA's submission of updated Morgan Stanley Fuel Prices, and the higher proposed three-step increments in the "proposed LEAC rate", there have been further significant increases recently in the price of fuel oil. When GPA filed its Petition, its fuel pricing was based upon the Morgan Stanley Pricing from May 4, 2022 to May 10, 2022. At that time, GPA's calculation was that the average price per Bbl-RFO was \$141.57. The average price per Bbl-Diesel was \$126.54. Exhibit "4" to the ALJ Report indicates that, based upon the Morgan Stanley Pricing from May 30, 2022 to June 3, 2022, the average price per Bbl-RFO was \$148.28 and the average price per Bbl-Diesel was \$139.67. Based upon the increase in fuel prices, GPA is now requesting 3-step increases in the amounts of \$.251638, \$.296043, and \$.342338 per kWh respectively.¹⁵

III. UNLESS THE PUC APPROVES INCREASES REQUESTED BY GPA, THE UNDER-RECOVERY BALANCE WILL GROW TO UNACCEPTABLE LEVELS.

To date, the fuel under-recovery balance of GPA (i.e. fuel expense that GPA has not recovered from ratepayers) has not exceeded \$32M. However, if the PUC does not

¹⁴ See LEAC Update-GPA RFO Purchases (per barrel) and LEAC Update-GPA Diesel Purchases (per barrel), submitted to the CCU in the Board Packet for the GPA Work Session on May 19, 2022 (Issues for Decision, at pgs. 2 and 3).

¹⁵ See Exhibit "4", GPA Proposed LEAC Rate, 06/07/2022, attached to the ALJ Report.

increase the present LEAC Factor of \$.209522 during the upcoming LEAC period, the under-recovery balance as of the end of January 2023 will be \$87M.¹⁶ The LEAC under-recovery as of June 30, 2022 will be \$35.16M. Even with the Step 1 and Step 2 LEAC increases, the LEAC under-recovery as of August 31, 2022, and October 31, 2022, is projected to be \$34.67M and \$37M respectively.¹⁷ This means that, even with the LEAC increases proposed for Steps 1 and 2, the LEAC under-recovery will slightly increase. Thus, the Step 1 and Step 2 increases do nothing more than prevent the LEAC under-recovery from growing more substantially.

There are other factors leading to increasing fuel prices for GPA. The Consent Decree requires GPA to convert its fuel for the Piti 8 and 9 Plants to ultra-low sulfur diesel (ULSD). The Cabras plants are converting to low sulfur residual fuel oil (LSRFO) and subsequently to ultra-low sulfur residual fuel (ULSRFO) in December. GPA is required to purchase higher priced fuels.¹⁸ In addition, the baseload plants will be down for overhaul and/or the conversion process. GPA will be required to utilize the fast-track generators to a greater extent, which are less fuel efficient.

There has been a “perfect storm” of events leading to increasing fuel prices for GPA.

IV. THE PUC SHOULD PRESENTLY ADOPT THE PROPOSED STEP 1 AND STEP 2 INCREASES; ACTION SHOULD BE DEFERRED ON THE PROPOSED THIRD INCREMENT UNTIL THE OCTOBER, 2022, PUC MEETING.

GPA has proposed an increase in the LEAC Factor to \$.251638/kWh for meters read on and after July 1, 2022. This Factor will result in a 13.72% increase in the total bill. GPA further recommends a second increase of \$.296043/kWh for meters read on and after

¹⁶ Id.

¹⁷ Id.

¹⁸ GPA General Manager Report to the Guam Consolidated Commission on Utilities dated May 24, 2022.

September 1, 2022. This LEAC Factor will result in an additional 12.72% increase in the total bill.¹⁹

GPA has also recommended a third increase in the LEAC to \$.347238/kWh for meters read on and after November 1, 2022. This LEAC Factor would result in a 11.76% increase in the total bill.²⁰

The third proposed LEAC increase effective November 1, 2022, should not be approved at the present time. The PUC should have the opportunity to further assess the impact of the first two step increases over the next four months. PUC will be in a better position at its October meeting on October 27, 2022, to assess current fuel prices and what possible action or level of increase is required for the period of November 2022 through the end of January 2023.

Recent Morgan Stanley Asian Morning Call price predictions indicate declining prices for fuel over the balance of this year. However, for the past few months, such predictions of declining prices have not proven to be accurate. It is certainly possible that a third step increase will be necessary effective November 1, and that the amount of increase could potentially be even higher than the recommended Step 3 increase. Deferring action at present on the third increment is prudent to enable the PUC to have better information before it addresses that issue.

¹⁹ Id.

²⁰ Id.

ORDERING PROVISIONS

After carefully reviewing the record in this proceeding, having considered the LEAC Filing of GPA, and the Administrative Law Judge Report, and after discussion at a duly noticed special meeting held on June 16, 2022, 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 secondary Fuel Recovery (LEAC) Factor of \$.251638/kWh shall be effective for meters read on or after July 1, 2022. The secondary Fuel Recovery (LEAC) Factor of \$.296043/kWh shall be effective for meters read on or after September 1, 2022.
2. The current singular LEAC factors are hereby adjusted, commencing on July 1, 2022, and thereafter as shown in the following table:

	First 2 months	Second 2 months
Secondary - 13.8 KV	0.251638	0.296043
Primary - 13.8 KV	0.244104	0.287175
34.5 KV	0.243401	0.286348
115 KV	0.240404	0.282823

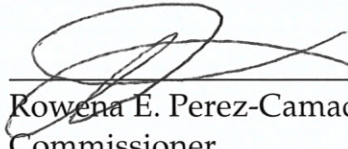
3. As requested by GPA, the forecast of the Working Capital Fund Requirement will remain the same, so there will not be a change in the Working Capital Surcharge for the period of July 1, 2022, through January 31, 2023.

4. At its meeting on October 27, 2022, the PUC will consider whether there is a need to increase the LEAC Factor further for the period of November 1, 2022, to January 31, 2023.
5. 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.

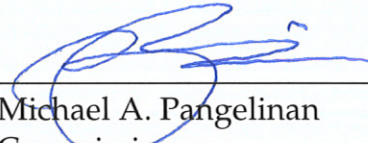
[SIGNATURES TO FOLLOW ON NEXT PAGE]

Dated this 16th day of June 2022.



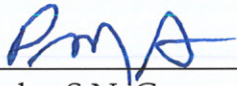
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