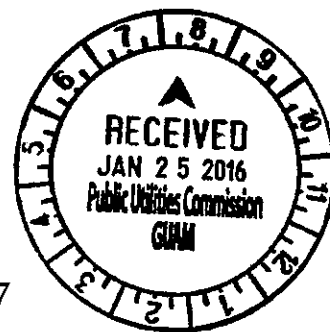


BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



GUAM POWER AUTHORITY  
LEVELIZED ENERGY ADJUSTMENT  
CLAUSE [LEAC]

GPA DOCKET 15-27

ORDER

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 December 15, 2015, to the PUC.<sup>1</sup> GPA requested that the Levelized Energy Adjustment Clause Factor ["LEAC"], for the six-month period commencing February 1, 2016, stay at the same level it was set for the prior six month period (August 1, 2015, to January 31, 2016), \$0.104871 per kWh effective for meters read on or after February 1, 2016.<sup>2</sup> There would be no change in the LEAC factor for this LEAC period.<sup>3</sup>

GPA submits that the LEAC factor for the upcoming six month period (February 1, 2016 through July 31, 2016) should remain the same. Although there has been "a slight decrease in fuel prices", GPA believes that certain events triggered by the Cabras 3&4 shutdown on August 31, 2015 (most importantly, a substantial increase in use of the more expensive Diesel No. 2 Fuel), dictates that there be no change in the Fuel Recovery Factor.<sup>4</sup>

GPA's Petition demonstrates that, since the Cabras 3&4 explosion, GPA costs for No.2 Diesel Fuel have risen substantially. Since the explosion, GPA has been required to utilize the more expensive No.2 Diesel Fuel in order to run the fast track generators and CTs. The cost for No.2 fuel has risen from approximately \$2M per month to between \$4 and \$5M per month.<sup>5</sup> Although fuel prices have decreased, GPA is now incurring more fuel costs due to the use of the expensive No.2 Diesel Fuel for the fast track generators and the CTs.

GPA also indicates that, in accordance with prior discussions with the ALJ and the PUC Commissioners regarding the fuel pricing issue, GPA has, in its Petition, used the

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<sup>1</sup> GPA LEAC Filing, GPA Docket 15-27, filed December 15, 2015.

<sup>2</sup> Id. at p. 1.

<sup>3</sup> Id.

<sup>4</sup> Id. at p. 1; see also Letter from General Manager Benavente to ALJ Horecky, dated December 14, 2015, re: Levelized Energy Adjustment Clause Petition for the period of February 1, 2016 through July 31, 2016, dated December 14, 2015, at p. 1.

<sup>5</sup> See Attachment 1, Schedule 1 and Attachment II, Schedule 1 attached to GPA's Petition.

average of the 5 days forward pricing from Morgan Stanley Asia Morning Call dated November 24 through November 30, 2015.<sup>6</sup>

On December 10, 2015, the Guam Consolidated Commission on Utilities, in Resolution No. 2015-66, authorized GPA Management to Petition the PUC for the LEAC rate to remain at \$0.104871/kWh effective for the period from February 1, 2016 through July 31, 2016.<sup>7</sup>

### DETERMINATIONS

1. To determine applicable fuel prices herein, GPA used the average of 5 days forward pricing from Morgan Stanley Asia Morning Call dated November 24 through November 30, 2015.
2. Although GPA indicated that it would use the average of the 5 consecutive days' pricing "closest to the LEAC filing date", the 5 day period utilized by GPA (November 24 through November 30, 2015) was two weeks before GPA filed its Petition on December 15, 2015.<sup>8</sup>
3. GPA indicates that it used the earlier November pricing period because the LEAC Petition had to be approved by the CCU Commissioners in November.<sup>9</sup>
4. The utilization by GPA of the MS fuel forecast pricing for the period of November 24 through November 30, 2015 does not appear to be appropriate: (1) the selected period occurred fifteen days before GPA filed its petition; and (2) there was a substantial drop in fuel prices during December 2015 and January 2016.
5. Counsel requested that GPA Assistant CFO Cora Montellano recalculate the 5 day average of the MS fuel forecast. On January 21, 2016, Ms. Montellano provided the most recent updated "Proposed LEAC Rate".<sup>10</sup>
6. The "updated" calculation for LEAC (using the average of the MS Noon call dated January 11-15, 2016) indicates that its average price per barrel for No.6 RFO declined from the price utilized by GPA in its Petition from \$46.19 per

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<sup>6</sup> See Letter from General Manager Benavente to ALJ Horecky, dated December 14, 2015, at p. 2.

<sup>7</sup> CCU Resolution No. 2015-66, adopted December 10, 2015, at p. 2.

<sup>8</sup> Letter from General Manager Benavente to ALJ Horecky, dated December 14, 2015, at p. 2.

<sup>9</sup> Phone conference between PUC Counsel Horecky and Asst. CFO Montellano, December 28, 2015.

<sup>10</sup> Exhibit 2 to the Supplemental PUC Counsel Report.

barrel to \$37.35 per barrel. In addition, the average price per gallon of Diesel (No.2) declined from \$1.66 per gallon to \$1.21 per gallon.<sup>11</sup>

7. At its July 16, 2015, Meeting, the PUC suggested that the LEAC fuel forecast price should be based upon the five day period which is ten days before the meeting at which the PUC determines the LEAC factor. Based upon the updated 5 day Morgan Stanley Fuel Price Forecast for the period of January 11-15, 2016, the applicable LEAC factor effective February 1, 2016, would be reduced from \$0.104871 per/kWh to \$0.086613 per/kWh, a decrease in the LEAC of 17.4%.
8. GPA had previously applied \$3M in insurance proceeds to reduce the beginning Fuel Cost under recovery for the LEAC period February 1 to July 2016. GPA assumed that the insurance proceeds would become available at some point in the future.<sup>12</sup>
9. Since the Cabras explosion resulted in increased fuel costs for GPA, insurance proceeds should be used to cover such costs (i.e. reliance upon No.2 Diesel for the fast track generators and CTs). However, as of yet, the insurance company has not agreed to pay any specific amounts nor are such funds presently available to GPA to offset fuel costs.
10. Given the absence of any commitment for such funds or their availability, it is prudent for GPA not to presently assume that such funds are available to offset the LEAC. The Proposed LEAC Rate was updated to take out the assumption that \$3M would immediately be available.
11. Upon further refinement of the calculations, Ms. Montellano calculated that only \$2M would be available for fuel costs from the insurance proceeds, rather than the \$3M initially anticipated. GPA anticipates that a total \$15M will be available as "Extra Expense Coverage" to cover the costs of the Aggreko temporary generation services. The annual costs for the Aggreko services for 2016 are estimated at approximately \$13M, leaving only \$2M for fuel expense.<sup>13</sup>
12. The updated Proposed LEAC factor, without the \$2M insurance proceeds, would be \$0.086613/kWh for residential customers on meters read on or after February 1, 2016. This updated calculation, without the \$2M, is set forth in the fifth

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<sup>11</sup> Id.

<sup>12</sup> CCU Resolution No. 2015-66, adopted December 10, 2015, at p. 2.

<sup>13</sup> See "Monthly Payment Schedule-Aggreko", attached as Exhibit "2" to the PUC Counsel Report.

column on Exhibit 1 to the Supplemental PUC Counsel Report [W/O \$2M Updated Effective 2/01/2016].

13. Should GPA subsequently receive insurance proceeds for fuel costs related to the Cabras explosion, it will then apply such proceeds to the LEAC.
14. This proposed LEAC factor represents a 9.2% decrease in the total bill and a 17.4% decrease in LEAC for a residential customer utilizing an average of 1,000 kilowatt hours per month. The average monthly decrease for such residential customer would be \$18.26.<sup>14</sup>

### **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 special meeting held on January 25, 2016, 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 February 1, 2016, as shown in the following table:

<b>LEAC</b>	
<b><u>Delivery Classification</u></b>	<b><u>\$ per kWh</u></b>
Secondary -	\$ 0.086613
Primary - 13.8 KV	\$ 0.083997
Primary - 34.5 KV	\$ 0.083755
Transmission - 115 KV	\$ 0.082724

This change represents a 9.2% decrease in the total bill for a residential customer utilizing an average of 1,000 kilowatt hours per month (\$18.26 per month).

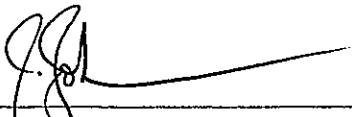
2. GPA should file for a change in the LEAC factors to be effective August 1, 2016 on or before June 15, 2016.
3. Should GPA subsequently receive insurance proceeds for fuel costs related to the Cabras explosion, it will then apply such proceeds to the LEAC.

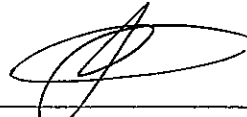
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<sup>14</sup> Exhibit 2 to the Supplemental PUC Counsel Report.

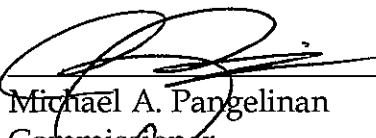
4. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

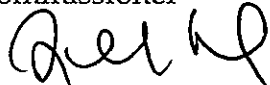
Dated this 25th day of January, 2016.


  
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Jeffrey C. Johnson  
Chairman

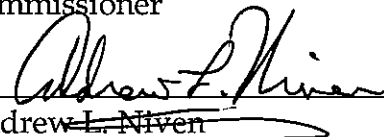
  
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Rowena E. Perez  
Commissioner

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Joseph M. McDonald  
Commissioner

  
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Michael A. Pangelinan  
Commissioner

  
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Peter Montinola  
Commissioner

  
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Filomena M. Cantoria  
Commissioner

  
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Andrew L. Niven  
Commissioner