BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

GUAM POWER AUTHORITY
LEVELIZED ENERGY ADJUSTMENT CLAUSE [LEAC] **GPA DOCKET 12-06**

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 June 15, 2012, to the PUC.[1] GPA requested that the Levelized Energy Adjustment Clause Factor ["LEAC"], for the six-month period commencing August 1, 2012, be decreased from $.192310/kWh to $.190263/kWh.[2] Alternatively, if only $2.4M (representing 1/2 of the projected under recovery was collected during the six month period, with the balance being collected over the following six month period) then the LEAC factor could be decreased to $.186362/kWh.

Furthermore, based upon a slight decrease in projected fuel costs from the prior LEAC period, GPA indicates that the Working Capital Fund Surcharge can be decreased for both civilian customers and the Navy. The decrease in the civilian WCF Surcharge proposed by GPA would be from $0.0078 to $0.00761 per kWh, effective August 1, 2012.[3]

Consultant Georgetown Consulting Group, Inc. ["GCG"] filed its Report re: GPA Request for a LEAC Factor Effective August 1, 2012.[4] In its Report, GCG notes that GPA is currently meeting the baseload performance standard for fuel efficiency; however, the average equivalent availability rate for the Cabras 2 unit is substantially below the standard. GCG recommends that, in the next LEAC filing, GPA should address those proactive actions it has taken to reduce the forced outages incurred by Cabras 2 and to meet its availability standard.[5]

In accordance with its historical position, GCG asserts that the most recent forecast of fuel prices provides a better estimate of the total cost of fuel for GPA

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[1] GPA LEAC Filing, GPA Docket 12-06, filed June 15, 2012.
[2] Id.
[3] Id.
[4] GCG Report, GPA Docket 12-06, Request for a LEAC Factor Effective August 1, 2012, filed June 15, 2012.
[5] Id. at p. 3.

for the upcoming LEAC period.[6] Based upon the updated Morgan Stanley fuel price forecasts for both No. 6 and No. 2 oil on July 5, 2012, fuel price projections for the next six-month period are now lower than the fuel prices originally projected by GPA in its Petition.[7]

GCG further indicates that, while PUC has authorized GPA to implement a revised fuel hedging program, at this point GPA continues to rely upon the "no cost collar" approach to hedging and is only at the early stages of implementing its new hedging program.[8] GPA had agreed to comply with fourteen recommendations adopted in the PUC's final order in Docket 10-03; however, a substantial amount of work remains to be done to implement the milestones associated with the fourteen recommendations adopted by the PUC. Of particular importance is the need for GPA to create new positions for the hedging function and to retain the requisite personnel needed to execute GPA's hedging needs.[9]

GCG believes that the agreed upon schedule for implementation of the fuel hedging program in GPA Docket 10-03 is no longer viable. GPA needs to update the original schedule with dates that it believes to be reasonable for the completion of the fourteen recommendations.[10] GPA needs to review the full range of hedging options available to it. An objective of GPA's hedging program is to allow consumers to know with reasonable certainty the maximum price they will pay for fuel consumption during the LEAC period.[11]

For future LEAC filings, GCG recommends that GPA use actual unaccounted for energy values so that consumers are properly charged on a current basis the impact of unaccounted for energy.[12]

As indicated, GPA proposed LEAC factors under two scenarios. One scenario flows through the entire forecasted under-recovery of fuel expenses through the LEAC and recovers about $4.8M over a period of six months. As an alternative, GPA calculated the LEAC factor assuming recovery of the $4.8M over a period of one year. GCG concludes that, under the established LEAC mechanism, fuel

[6] Id. at p. 4.
[7] Id. at pgs. 4-5.
[8] Id. at pgs. 7-8.
[9] Id. at p. 9.
[10] Id. at p. 10.
[11] Id.
[12] Id. at p. 12.

expenses are supposed to be recovered within the six month LEAC period. In addition, GCG believes that for GPA to request a delay in the recovery of the fuel expense is inconsistent with the position GPA maintained in the rate case with regard to its cash requirements. GCG recommends that the entire deferred fuel balance be recovered by GPA over the six-month period ending January 2013.[13]

With regard to GPA's proposed slight reduction in the current working capital surcharge, GCG recommends that the current WCF surcharge remain in effect pending resolution of issues in Phase 2 of the GPA rate case, GPA Docket 11-09.[14] GCG further points out that in addition to the fuel component of the WCF, there are also non-fuel and IPP costs involved in its calculation. The WCF surcharge established in Phase 1 of GPA Docket 11-09 should remain in place until issues regarding reconciliation of the WCF revenues and requirements are resolved.[15]

The PUC concurs with the foregoing positions of GCG as set forth in its Report. The latest, updated fuel information should be used to determine the appropriate LEAC factor for the upcoming LEAC period. The LEAC factors for the upcoming LEAC period should be revised in accordance with the recommendations of GCG.

PUC also shares GCG's concerns about GPA's implementation of the new Fuel Hedging Program. GPA should take steps, in accordance with the GCG recommendations, to put the new fuel hedging program into effect. PUC also believes that GPA should be allowed to fully recover fuel expense in the current LEAC period, in accord with GPA's position concerning its cash need requirements articulated in GPA Docket 11-09. Finally, the WCF surcharge established in Phase 1 of GPA Docket 11-09 should remain in place until issues regarding reconciliation of the WCF revenues and requirements are resolved in Phase 2 of that proceeding.

[13] Id.
[14] Id. at p. 14.
[15] Id. at p. 14.

After carefully reviewing the record in this proceeding and the July 23, 2012, Report of GCG, and after discussion at a duly noticed public meeting held on July 30, 2012, 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, 2012 as shown in the following table:

Customer	**LEAC per kWh**	
Secondary -	$	0.186834
Primary – 13.8 KV	$	0.180900
34.5 KV	$	0.179035
115 KV	$	0.177170

   The LEAC factor shall be determined in accordance with Table 1, GCG Full Recovery, as set forth in the GCG Report filed herein on July 23, 2012. This change reflects a 1.95% decrease in the total bill for a residential customer utilizing an average of 1,000 kilowatt hours per month ($5.48 per month).

2. GPA should file for a change in the LEAC factors to be effective February 1, 2013 on or before December 15, 2012.

3. The current WCF surcharges of $0.00778 per kWh for civilian customers and monthly fixed charge of $179,852 for Navy shall remain in effect until the issues regarding reconciling the WCF revenues and requirement are resolved in Phase 2 of Docket 11-09 or as otherwise determined by the PUC in the next LEAC or other proceeding.

4. GPA should file concurrently with its next LEAC filing a report detailing the status of each of the 14 fuel hedging recommendations adopted in Docket 10-03 and the GPA modified milestone schedule contained in Appendix A. GPA should also file with its next LEAC filing a report on each of the hedging instruments used to hedge, the hedge amounts, the cost of any hedge, their expiration, and a summary of the impact of the hedge volatility.

5. In the PUC Order dated February 6, 2012, in this LEAC Filing, GPA was required to use actual loss multipliers to determine the appropriate LEAC Factors for each transmission level customer, or explain why it was not able

to do so. GPA has not complied with the February 6, 2012 Order. In its next LEAC Filing on or before December 15, 2012, GPA should properly charge customers in the different delivery voltage classes with the loss multipliers from the recently completed rate proceeding.

6. GPA should in their next LEAC rate filing address those actions it is taking to reduce the forced outages incurred by Cabras 2 and to meet its availability standard.

7. 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 30th day of July, 2012.

Jeffrey C. Johnson
Chairman

Rowena E. Perez
Commissioner

Joseph M. McDonald
Commissioner

Michael A. Pangelinan
Commissioner

Filomena M. Cantoria
Commissioner