

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



GUAM POWER AUTHORITY  
LEVELIZED ENERGY ADJUSTMENT  
CLAUSE [LEAC]

GPA DOCKET 10-11

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], by Filing dated December 15, 2010, requested that the current LEAC factor [\$0.12465 per kWh] for its civilian customers be increased to \$0.15901 per kWh for meters read on and after February 1, 2011 and continuing until July 31, 2011.<sup>1</sup>

After conducting a review of GPA's Filing, and engaging in communications with GPA, PUC Regulatory Consultant Georgetown Consulting Group, Inc. [GCG] filed its Report Re: GPA Request for a LEAC Factor Effective February 1, 2011.<sup>2</sup> In its investigation, GCG recommended that the PUC should rely upon the most recent information regarding fuel prices to determine the fuel factor for the LEAC.<sup>3</sup> In its Report, GCG determined that the fuel price projections for the next six month period are higher than the fuel prices originally projected by GPA in its Petition.<sup>4</sup> Based upon updated Morgan Stanley fuel price forecasts for both No. 2 and No. 6 oil, the January 11, 2011 price forecasts were higher than those projected by GPA in its Petition.<sup>5</sup>

Thus, in its Summary of LEAC Calculations [Table 1], GCG has updated the total projected fuel costs for the six month period ending July 31, 2011.<sup>6</sup> GCG finds that GPA's total fuel costs for the six month period ending July 31, 2011 will be nearly \$2.6 Million more than originally projected by GPA.<sup>7</sup> GCG's Report has also examined Fuel "Handling Costs."<sup>8</sup> GCG recommends that the Commission

<sup>1</sup> GPA LEAC Filing, Docket 02-04, filed December 15, 2010; the basis for GPA's LEAC filing is that there has been an increase in fuel prices from \$71/bbl. to around \$81.00/bbl., which represents an increase in fuel costs from the prior LEAC period. A new LEAC Docket has now been opened as GPA Docket 10-11.

<sup>2</sup> GCG Report re GPA Request for a LEAC Factor Effective August 1, 2010, filed July 16, 2010, in Docket 02-04.

<sup>3</sup> Id. at p. 1.

<sup>4</sup> Id.

<sup>5</sup> Id. at pgs. 2-5.

<sup>6</sup> Id. at p. 2.

<sup>7</sup> Id. at p. 2.

<sup>8</sup> Id. at p. 6.

further consider whether certain items, such as L/C Charges and fuel management, handling and storage costs should continue to be recognized as a part of the LEAC factor.<sup>9</sup>

Using the December Morgan Stanley fuel price forecasts, GPA had originally projected in its Petition that credits from its fuel hedging contracts would be \$271,000; however, GCG indicated that, with the increased price projection using the January 11, 2011 Morgan Stanley fuel price forecasts, the credit will increase to nearly \$2 Million and is a direct offset to the further projected oil price increases.<sup>10</sup> Another significant item of fuel handling expenses is the inventory valuation costs. Previously, the PUC had decided to increase or decrease the LEAC factor based upon changes in the fuel inventory value over the six month period.<sup>11</sup>

For the period ending July 31, 2011, GPA originally requested approximately \$1 Million be included in the cost of fuel related to the forecasted increase in inventory cost levels over this period.<sup>12</sup> However, with the updated estimate of prices, the inventory valuation adjustment (amount recoverable for the next six months) should be \$2,220,534.<sup>13</sup>

In its January 26, 2009 Order, the PUC adopted a 7% line loss factor as an “interim standard” until the GPA transmission study is completed.<sup>14</sup> In the July 27, 2010 Order, the PUC ordered that GPA file a Petition with a proposed schedule outlining a proposal and solutions for the development of new line loss standards. In addition GPA was ordered to file a position statement with PUC concerning whether differentiated LEAC rates should be implemented for customers served at different voltage levels.<sup>15</sup>

On October 15, 2010, GPA filed the requisite filings regarding Line Loss Standards and Separate LEAC Factors.<sup>16</sup> There GPA requested that the existing line loss standard of 7% remain as a baseline until it completes certain projects regarding Smart Grid initiatives, Distribution System Improvements,

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<sup>9</sup> Id. at p. 6.

<sup>10</sup> Id. at p. 7.

<sup>11</sup> Id. at p. 8.

<sup>12</sup> Id.

<sup>13</sup> Id. at pgs. 8-9.

<sup>14</sup> PUC Order GPA Levelized Energy Adjustment Clause [LEAC], GPA Docket 02-04, filed January 26, 2009.

<sup>15</sup> PUC Order, GPA Levelized Energy Adjustment Clause [LEAC], GPA Docket 02-04, filed July 28, 2010.

<sup>16</sup> GPA Filings Re: Line Loss Standards and Separate LEAC Factors, Docket No. 02-04, filed October 15, 2010.

Replacement of existing distribution transformers with high efficiently transformers, and Meter Task Force ongoing activities.<sup>17</sup> GPA also said it presently lacks adequate loss data to be able to accurately establish separate fuel factors for the transmission level for “primary” customers. It suggests that it will have a fuller knowledge concerning loss data for the system when the Smart Metering project is installed throughout the island wide power system.<sup>18</sup>

GCG’s Report recommends that the PUC further consider line loss performance benchmarks for GPA.<sup>19</sup> GCG continues to recommend that line losses be differentiated for LEAC rate purposes among customers served at different voltage levels, but that GPA could present such differentiated LEAC rates in the upcoming Cost of Service Study.<sup>20</sup>

After carefully reviewing the record in this proceeding and the January 20, 2011 Report of GCG, and after discussion at a duly noticed public meeting held on January 31, 2011, 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. A LEAC factor of \$0.16153 per kWh shall be used by GPA for all civilian customer bills, for meters read on and after February 1, 2011 to recover its forecasted fuel and related expenses, in accordance with the right hand column of Table 1 as set forth in the GCG Report dated January 20, 2011. This change reflects an 18.53% increase in the total bill for a residential customer utilizing an average of 1,000 kilowatt hours per month.
2. GPA should file its next LEAC adjustment filing on or before June 15, 2011.
3. At the present time, the PUC affirms its prior determination that a 7% line loss factor is the prevailing “interim standard.” Due to the present initiatives which GPA is implementing and distribution system improvements, the interim standard should not be altered at the present time.

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<sup>17</sup> Filing Re: Line Loss Standards, supra, at p.1.

<sup>18</sup> GPA Filing Re: Separate LEAC Factors, Docket 02-04, filed October 15, 2010 at p. 2-3.

<sup>19</sup> GCG Report Re: GPA Request for a LEAC Factor Effective February 1, 2011, filed January 19, 2011 in Docket 10-11.

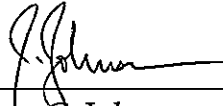
<sup>20</sup> Id. at p. 11.

4. On or before June 15, 2011, GPA shall include with its LEAC adjustment filing a report to PUC on the status of its exiting initiatives, including timelines and reports, regarding Smart Grid initiatives, distribution system improvements, replacement of existing transformers, and meter taskforce ongoing activities. GPA shall therein indicate, in detail, the status and accuracy of its loss data, and its ability to propose a permanent loss standard.
5. In next LEAC filing, GPA should also include: (1) its position as to whether certain items, such as L/C Charges and fuel management, handling and storage costs should continue to be recognized as a part of the LEAC factor; and (2) its position as to whether, as a result of its initiatives and distribution system improvements, GPA loss data has improved to an extent sufficient to enable it to develop loss factors for primary, sub-transmission, and transmission level LEAC differentiated rates, and if so, the timeframe for implementation of such differentiated LEAC rates.
6. The present increase in fuel costs is of great concern to the Commissioners, as such increase imposes financial burdens upon the ratepayers of Guam. No later than the April PUC Meeting, the Commissioners will examine measures which can be taken by the PUC to ameliorate the impact of the increase in fuel costs. Such possible measures include, but are not necessarily limited to: (1) the review of the \$5.1 Million settlement recently received by GPA relative to investment proceeds, and possible allocation of such settlement funds to offset the impact of the LEAC increase; and (2) reallocation of the \$3.1 Million approved by the PUC in its August 31, 2010 Order (GPA Docket 10-01) for use by GPA in payment of bond project and Smart Grid initiative cost overruns as an offset to the LEAC increase. The Administrative Law Judge is hereby instructed to commence an investigation of such measures, to undertake any necessary proceedings, and to make appropriate recommendations to the Commission.
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.

Order  
LEAC, GPA Docket 10-11  
January 31, 2011

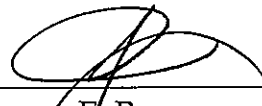
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Dated this 31<sup>st</sup> day of January, 2011.



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Jeffrey C. Johnson  
Chairman



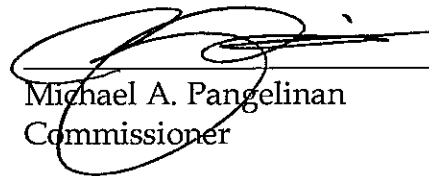
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Rowena E. Perez  
Commissioner



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Joseph M. McDonald  
Commissioner



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Michael A. Pangelinan  
Commissioner



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Filomena M. Cantoria  
Commissioner