

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

**GUAM POWER AUTHORITY
LEVELIZED ENERGY ADJUSTMENT
CLAUSE [LEAC]**

GPA DOCKET 13-06

REPORT OF THE PUC CHAIRMAN

In the proceedings involving the determination of the prior LEAC Factor for the period of February 1, 2013, through July 31, 2013, PUC Consultants Georgetown Consulting Group Inc. [GCG] conducted a substantial review of GPA's LEAC Petition, which included numerous subjects beyond merely a determination of the appropriate LEAC factor. The Report addressed such issues as GPA fuel efficiency, the status of GPA's Fuel Hedging Program, the necessity for a quarterly LEAC filing and other matters. In this proceeding, GPA is suggesting a considerable reduction in the current LEAC Factor. Based upon such facts, it is appropriate to proceed in this matter with only an internal review by PUC of the proposed decrease in the LEAC Factor.

In this proceeding, GPA initially requested a decrease in the LEAC Factor from \$.20927/kWh to \$.19006/kWh effective for meters read on or after August 1, 2013.

On July 5, 2013, PUC Counsel requested that GPA provide PUC with an update on the Morgan Stanley RFO prices for a determination as to whether there had been any changes in such prices since the filing by GPA of its LEAC Filing. Counsel also requested that GPA provide updated figures showing the impact of the newly approved RFO Supply Contract with Hyundai Corporation upon the LEAC Factor. Counsel's request was prompted by the fact that, after the Consolidated Commission on Utilities approved the new RFO Contract with Hyundai on June 25, 2013, various GPA officials, including the Chairman of the CCU, General Manager, and the Public Information Officer, announced that there would be a further reduction in the LEAC Factor as a result of lower fuel premium prices in the new Contract.

On July 16, 2013, GPA provided an updated LEAC analysis: (a) showing the updated Morgan Stanley call dated July 15, 2013; (b) updating the values to reflect actual amounts for May and June 2013; and (c) updating the fuel premiums for August 2013 through January 2014 based on the new fuel supply contract and the new pipeline fees and storage fees effective September 1, 2013. GPA's updated analysis is attached to the proposed Order as Exhibit "1".

As a result of the updated GPA analysis, the LEAC Factor for the six-month period commencing August 1, 2013, is decreased further from \$.19006/kWh to \$.182054/kWh effective for meters read on or after August 1, 2013. This decrease in the LEAC factor represents a 9.3% decrease in the total bill, or a \$27.22 decrease for a residential customer

utilizing an average of 1,000 kilowatt hours per month. There is also a reduction in the transmission and distribution delivery classifications.

GPA also provided an updated analysis of the Working Capital Fund Requirement-Fuel Portion. The Working Capital Fund Requirement-Fuel Portion is attached to the proposed Order as Exhibit "2". Instead of the three month extension of the existing WCF Surcharge requested in the original LEAC filing, GPA now proposes to collect the additional WCF requirement resulting from the increase in the FY14 Fuel Costs budget amount over one month, effective August 1, 2013 through August 31, 2013. The increase in the Working Capital Fund Requirement for the FY14 Fuel budget is now anticipated to be \$324,083 rather than the \$855,250 previously projected. The reduction in the projected increase is due to the lower fuel premium charges in the Hyundai RFO Supply Contract.

In accordance with the updated GPA analyses contained in Exhibits "1" and "2", the PUC should approve a decrease in the LEAC factor from the current \$.20927/kWh to \$.182054/kWh effective on all meters read on or after August 1, 2013. The transmission and distribution delivery classifications should be reduced in accordance with Exhibit "1". Finally, the WCF Surcharge should be extended for one month, effective August 1, 2013 through August 31, 2013, to recover the increase in Working Capital Fund-Fuel Portion caused by the increases in costs in the FY14 Fuel budget.

Based upon the decrease in fuel prices and the lower fuel premium charges in the Hyundai RFO Supply Contract, it is appropriate that the LEAC Factor be reduced. In this proceeding, it is also appropriate for the PUC to focus upon the determination of the LEAC Factor; other issues, such as GPA plant and fuel efficiency can continue to be addressed in other dockets and future LEAC dockets.

Finally, based upon the June 17, 2013 letter of the Administrative Law Judge in GPA Docket 12-13, it does not appear that it is presently necessary for the PUC to order GPA to conduct a focused management audit on its fuel procurement process.

Based upon the foregoing, the Chairman respectfully submits that GPA's LEAC Factor for meters read on or after August 1, 2013 should be reduced in accordance with the analysis set forth in Exhibit "1". The WCF Surcharge should be extended for one month in accordance with Exhibit "2".

Dated this 22nd day of July, 2013.

Jeffrey C. Johnson
Chairman