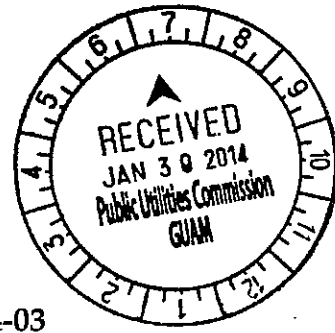


BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



GUAM POWER AUTHORITY
LEVELIZED ENERGY ADJUSTMENT
CLAUSE [LEAC]

GPA DOCKET 14-03

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 16, 2013, to the PUC.¹ GPA requested that the Levelized Energy Adjustment Clause Factor ["LEAC"], for the six-month period commencing February 1, 2014, be decreased from \$0.182054/kWh to \$0.179157/kWh effective for meters read on or after February 1, 2014.² This decrease in the LEAC factor represents a 1% decrease in the total bill or a \$2.91 decrease for a residential customer utilizing an average of 1,000 kilowatt hours per month.³

The basis for the LEAC filing is that there has been a slight decrease in fuel prices from the prior LEAC period, and that the Cabras Unit #3 came online in September 2013. Included in the total fuel handling costs are the Program Management Office (PMO) services for Integrated Resource Plan (IRP) implementation and Liquefied Natural Gas (LNG) Feasibility work.⁴ GPA further requests a continuation of the current Working Capital Fund Surcharge of \$0.00466/kWh and \$110,374.00/month for the Navy.⁵

GPA further states that the cost of the PMO services, \$3.9M, has been amortized over a twelve-month period; hence, \$1.95M of the cost has been included in this filing and the other half will be included in the next LEAC period.⁶ On December 11, 2013, the Guam Consolidated Commission on Utilities, in Resolution No. 2013-62, Authorized GPA Management to Petition the PUC for the decrease in the LEAC for the period February 1, 2014 - July 31, 2014 as set forth in GPA's Petition.⁷

¹ GPA LEAC Filing, GPA Docket 14-03, filed December 16, 2014, at p. 1.

² Id.

³ Id.

⁴ Id.

⁵ Id. at p. 2.

⁶ Letter from GM Joaquin Flores to ALJ Frederick J. Horecky dated December 16, 2013, at p. 1.

⁷ CCU Resolution No. 2013-62, issued June 4, 2013.

On January 26, 2014, the PUC's Consultant, Slater Nakamura & Co. LLC [hereinafter "SNC"], submitted its updated Report on the Investigation of the Request for LEAC Adjustment.⁸ After revision by GPA of certain data, and review by SNC, SNC approved GPA's generation and sales data, system loss factors, dispatch, fuel expenditures and fuel handling expenditures.⁹

However, there are two specific areas in which SNC recommends revision of GPA's proposed LEAC factor. First, SNC recommends that the professional fees included in LEAC for Liquefied Natural Gas during the forecast period be reduced to \$1,022,500.¹⁰ The SNC recommendation is consistent with the Order of the PUC in GPA Docket 14-02; there, PUC authorized GPA to include \$1,022,500 of contract expenses for Tasks 2 and 3 of the Armstrong Contract in this LEAC factor calculation.¹¹ Second, SNC recommended that the forecasted fuel prices and calculating the LEAC Factor be revised to reflect the January Morgan Stanley Forecast.¹² This recommendation is consistent with accepted LEAC practice before the PUC; PUC Consultants have typically recommended in LEAC proceedings that the PUC use the most recent fuel prices in setting the LEAC factor.

Based upon its recommended changes, SNC recommends that the approved LEAC rate to secondary customers be reduced by \$0.00684 per kWh to \$0.172314 per kWh instead of the \$0.179157 per kWh proposed by GPA.¹³

In addition, SNC has made particular recommendations: (1) that the PUC establish refund procedures in a separate docket to fulfill requirements of its Order in GPA Docket 14-02 in the event that it needs to order a refund of the conditionally approved LNG Consulting Fee; (2) that the PUC include language in its Order in this Docket articulating why expenditures related to the Fuel Tank Farm Maintenance considered by GPA for the improvement projects qualify as non-capital expenditures to be included in LEAC; (3) that GPA include in LEAC filings hereafter the specific expense categories for fuel handling, including Fuel Tank Farm Maintenance, lube oil, SGS Inspection, subscription delivery, and labor charges; and (4) that GPA reconcile the "sixth month" of the Reconciliation

⁸ Slater, Nakamura & Co. Report on the Investigation of the Request for LEAC Adjustment, GPA Docket 14-03, filed January 26, 2014.

⁹ Id. at p. 19.

¹⁰ Id. at p. 5.

¹¹ PUC Order, GPA Docket 14-02, Paragraph 3 of the Ordering Provisions.

¹² Slater, Nakamura & Co. Report, Id. at p. 3.

¹³ Id.

period in each LEAC period. At present, SNC indicates that the PUC bases its LEAC Orders on actual data from only five of the six month "reconciliation" period. SNC suggests GPA provide reporting and "true-ups" for the sixth month of each reconciliation period.¹⁴

There has been one further revision to the LEAC factor. Cora Montellano, the Assistant Chief Financial Officer of GPA, requests that the approved R.W. consulting fees be amortized over the upcoming six month LEAC period, rather than over the next twelve months as recommended by SNC. Legal Counsel concurs with Ms. Montellano's recommendation, finding that it is consistent with the intent of the PUC Order in GPA Docket 14-02.

Thus, the civilian customer LEAC factor should be \$0.172986. The other usage factors should be similarly adjusted in accordance with a six month amortization of the Armstrong consulting fees.

DETERMINATIONS

1. PUC will defer requiring a separate Docket for refund procedures for the consulting fees included in this LEAC. The PUC, however, reserves the right to establish such a Docket in the future if, and when, it determines that a refund of such consulting fees is appropriate. However, the PUC reminds GPA that inclusion of such fees in this LEAC factor is conditional; GPA is still required to provide further justification for such professional fees as set forth in the Order in GPA Docket 14-02. GPA will be required to provide PUC with a full accounting for the amount of fees expended. Such professional fees have been properly included in the LEAC factor for this docket; those fees will be the subject of reconciliation in the next LEAC proceeding. Otherwise, PUC adopts the recommendations of SNC's Report, with the slight revisions to the LEAC factors included herein.
2. PUC adopts SNC's recommendation that, in future LEAC filings, GPA should display the individual data elements for fuel tank farm maintenance, lube oil, SGS inspection, subscription-delivery, and labor charges. Schedule 5 in Attachments I and II shall be revised to display the individual elements by adding new schedules that display all data elements and the respective totals that are carried into Schedule 5 and eventually Schedule 1.

¹⁴ Id. at pgs. 23-26.

3. For this LEAC period, and the next two LEAC filings, GPA should file a report that “trues-up” the sixth month of the reconciliation period for all data elements: sales to customers, required generation by unit and in total for GPA, heat rate by unit, barrels of oil required by unit and in total for GPA, fuel expenditures by unit and in total for GPA, fuel handling expenditures in total for GPA, and LEAC recovery. Such reports shall be due within 45 days after the PUC issues its LEAC Order in GPA Docket 14-03 and subsequent LEAC Dockets.

4. In GPA Docket 14-02, the Commission established that, as a guiding principle, capital expenditures or expenditures for capital improvement projects generally should not be included in the LEAC calculation. However, the PUC has not held that such expenses can never be included in LEAC. The purpose of LEAC is to establish a fuel factor. The cost of such fuel is passed on to ratepayers. Under some circumstances, the Commission has found that it is appropriate to include within the LEAC calculation capital expenditures that relate directly to the delivery of fuel oil. Thus, in GPA Docket 13-06, the PUC specifically included piping upgrades, tank repainting, systematic tank gauging (ATG) system, and Fire Fighting Equipment Upgrade as expenditures that could properly be included within Fuel Tank Major Maintenance for purposes of LEAC. Furthermore, these capital projects are expected to be completed within twelve months. Such expenditures have historically been included by the PUC in the LEAC factor determinations, along with fuel handling charges. The fuel tank farm and its operation relate directly to the delivery of fuel to GPA’s base load plants. On the other hand, professional or consulting fees for the possible implementation of a future LNG infrastructure have no direct relationship to the actual present delivery of fuel. Such fees have no direct relation to the current delivery of fuel to GPA’s plants. The original purpose of the LEAC clause, to determine fuel costs that ratepayers would bear, never contemplated that capital expenditures for a proposed new fuel source would be passed on to ratepayers through the LEAC.

After carefully reviewing the record in this proceeding, having considered the LEAC Filing of GPA and the Report of Slater, Nakamura & Co. LLC, and after discussion at a duly noticed public meeting held on January 30, 2014, 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, 2014, as shown in the following table:

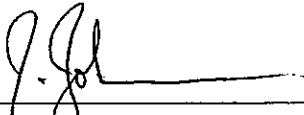
<u>Delivery Classification</u>	<u>LEAC \$ per kWh</u>
Secondary -	\$ 0.172986
Primary - 13.8 KV	\$ 0.166373
Primary - 34.5 KV	\$ 0.165756
Transmission - 115 KV	\$ 0.163125

This change represents a 3.28% decrease in the total bill for a residential customer utilizing an average of 1,000 kilowatt hours per month (\$9.07 per month) and the decrease in LEAC is 4.98% from the current LEAC rate.

2. GPA should file for a change in the LEAC factors to be effective August 1, 2014 on or before June 15, 2014.
3. As requested by GPA, the current Working Capital Fund Surcharge of \$0.00466/kWh for civilian customers and \$110,374.00/month for the Navy shall remain in effect. This Surcharge is for the payment of debt service on the replenishment of the WCF from bond funds.
4. In future LEAC filings, GPA should display the individual data elements for fuel tank farm maintenance, lube oil, SGS inspection, subscription delivery, and labor charges. Schedule 5 in Attachments I and II shall be revised to display the individual elements by adding new schedules that display all data elements and the respective totals that are carried into Schedule 5 and eventually Schedule 1.
5. For this LEAC period, and the next two LEAC filings, GPA shall file a report that "trues-up" the sixth month of the reconciliation period for all data elements: sales to customers, required generation by unit and in total for GPA, heat rate by unit, barrels of oil required by unit and in total for GPA, fuel expenditures by unit and in total for GPA, fuel handling expenditures in total for GPA, and LEAC recovery. Such reports shall be due within 45 days after the PUC issues its LEAC Order in GPA Docket 14-03 and in subsequent LEAC Dockets.
6. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and

6. 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.

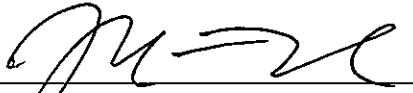
Dated this 30th day of January, 2014.



Jeffrey C. Johnson
Chairman



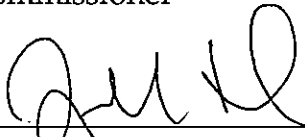
Rowena E. Perez
Commissioner



Joseph M. McDonald
Commissioner



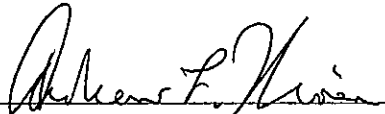
Michael A. Pangelinan
Commissioner



Peter Montinola
Commissioner



Filomena M. Cantoria
Commissioner



Andrew L. Niven
Commissioner