

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 17-17
)
 The Guam Power Authority Levelized)
 Energy Adjustment Clause (LEAC)) **PUC ORDER**
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On December 6, 2016, the Guam Consolidated Commission on Utilities, in Resolution No. 2016-72, authorized GPA Management to Petition the PUC for an increase in the LEAC factor from \$0.086613/kWh to \$0.101372/kWh effective for meters read on or after February 1, 2017.¹ 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 14, 2016, to the PUC.²

GPA requested that the Levelized Energy Adjustment Clause Factor [“LEAC”] be increased from \$0.086613/kWh to \$0.101372/kWh effective for meters read on or after February 1, 2017.³ This change reflects a 17.0% increase in the LEAC factor, or an 8.1% increase in the total bill.⁴ If implemented, this change would result in a \$14.76 increase for a residential customer utilizing an average of 1,000 kilowatt hours per month.⁵

The basis indicated by GPA for the change in the LEAC factor is primarily the “continuing increase in worldwide fuel prices.”⁶ GPA indicates that the price of RFO increased by 20% from the last LEAC filing in June 2016.⁷ The increase in fuel price is also attributable at least in part to OPEC’s decision to cut production by 1.3M barrels per day. GPA believes that the market will remain within the \$48-54/bbl. range during the period.⁸ GPA also anticipates that the fuel price, affective February 1, 2017, will be \$54.49 per Bbl. RFO and \$71.72 for Diesel.⁹

¹ CCU Resolution No. 2016-72, adopted December 6, 2016, at p.3.

² GPA LEAC Filing, GPA Docket 17-17, filed December 14, 2016.

³ Id. at p. 1.

⁴ Id.

⁵ Id.

⁶ Id.

⁷ Email from Cora Montellano, GPA Asst. CFO, to PUC Counsel Fred Horecky, dated January 11, 2017, with GPA Proposed LEAC Rate-Updated.

⁸ GPA LEAC Filing, GPA Docket 17-17, filed December 14, 2016, at p. 1.

⁹ GPA Petition, APPENDIX A.

If, as GPA anticipates, the projected average fuel price ending July 31, 2017, is \$54.59/bbl, GPA would experience an under-recovery of about \$17.7M.¹⁰ In such case, the LEAC factor would actually need to be increased from \$0.08816/kWh to \$0.116136/kWh for the period of February 1, 2017 to July 31, 2017.¹¹

However, GPA has taken proactive steps to lessen the large impact of a LEAC increase upon ratepayers. Rather than recovering all of the fuel oil cost in this LEAC period, GPA prefers to gradually true-up fuel oil cost by phasing in increases over two (2) LEAC periods. GPA therefore recommends that the upcoming LEAC rate be one-half of what the market is projecting. GPA's reasoning is that the present fuel market is very volatile because of the uncertainties of the political factors involving the new U.S. Administration and recent OPEC decisions.¹² Under the "phase in", GPA would increase the LEAC factor to \$0.101372/kWh for the next LEAC period.¹³

A second step GPA has taken to reduce the impact of the LEAC increase is to apply \$4.6M from the Cabras No. 3 & 4 explosion insurance proceeds to offset the fuel under-recovery. The projected under-recovery of about \$17.7M at the end of the LEAC period (July 31, 2017) is calculated after the application of \$4.6M in insurance proceeds. The reason that GPA has agreed to apply a portion of the insurance proceeds to offset LEAC is that the explosion resulted in a drastic increase in the use of diesel fuel in the combustion turbines and fast tracks. In FY 2015, diesel fuel consumption was 9,400,524 gallons. Diesel fuel consumption increased in FY2016 to 37,639,350 gallons.¹⁴ Thus, it is appropriate that GPA apply insurance proceeds from the Cabras explosion to offset the LEAC under-recovery.

The PUC has previously determined that, before the LEAC factor is set for a particular period, an updated LEAC fuel forecast price should be prepared based upon the average of the five day period which is ten days before the meeting at which the PUC determines the LEAC factor.¹⁵

¹⁰ CCU Resolution No. 2016-72, adopted December 6, 2016, at p. 2.

¹¹ Id. at p. 1.

¹² Id.

¹³ Id.

¹⁴ GPA Work Session Packet, January 19, 2017, Exhibit D.

¹⁵ PUC LEAC Order, GPA Docket 15-27, dated January 25, 2016, at p. 2.

DETERMINATIONS

1. Counsel requested that GPA Assistant CFO Cora Montellano recalculate the 5 day average of the MS fuel forecast. On January 11, 2017, Ms. Montellano provided an updated "Proposed LEAC Rate"¹⁶.
2. To determine updated applicable fuel prices herein, GPA used the average of 5 days forward pricing from Morgan Stanley Asia Noon Call dated January 5-11, 2017.¹⁷
3. The updated analysis indicates that fuel prices have increased since GPA filed its Petition on December 14, 2016. As of the filing of the Petition, the average price per Barrel for Residual Fuel Oil was \$54.58. However, as of the date of the updated analysis on January 11, 2017, the average price per Barrel of RFO was \$58.56.¹⁸
4. The average price per Barrel for RFO as of the start of the prior LEAC period, August 1, 2016, was \$45.43.¹⁹
5. As a result of the increase in fuel prices since GPA filed its original Petition, GPA is now seeking a LEAC factor of \$0.105051, rather than \$0.101372/kWh, effective for meters read on or after February 1, 2017.²⁰
6. However, GPA is only requesting that it recover \$11M, one-half of the \$22M estimated under- recovery in the upcoming LEAC period. The under- recovery increased by \$4.3M from the original filing in December 2016.²¹
7. If the LEAC factor fully addressed the present anticipated under-recovery, it would have to be raised to \$0.123494. Such factor would constitute a 20.4% increase in the total bill.²²

¹⁶ Email from Cora Montellano, GPA Asst. CFO, to PUC Counsel Fred Horecky, dated January 11, 2017, with GPA Proposed LEAC Rate-Updated.

¹⁷ Id.

¹⁸ Id.

¹⁹ Appendix A to GPA Petition.

²⁰ Email from Cora Montellano, GPA Asst. CFO, to PUC Counsel Fred Horecky, dated January 11, 2017, with GPA Proposed LEAC Rate-Updated.

²¹ Id.

²² Id.

8. GPA has attempted to reduce the impact of the LEAC factor by only seeking to recover one-half of the fuel under-recovery in this LEAC period, and by applying insurance proceeds to the under-recovery. The increase in the LEAC factor is due to rising fuel prices and is beyond GPA's control.
9. In accordance with established PUC protocol, the increased LEAC factor resulting from the fuel prices based upon the MS Noon Call from January 5-11, 2017, should be adopted. The LEAC factor should be increased as set forth in the GPA Proposed LEAC Rate-Updated.
10. It is also important to keep the LEAC factor at the appropriate price, as reflected by the Jan. 5-11, 2017, updated prices, so that the necessary amount to be recovered in the next LEAC period will be reduced to the extent possible.

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 regular meeting held on January 26, 2017, 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, 2017, as shown in the following table:

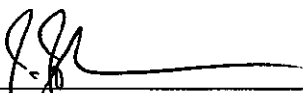
LEAC	
<u>Delivery Classification</u>	<u>\$ per kWh</u>
Secondary -	\$ 0.105051
Primary – 13.8 KV	\$ 0.101987
Primary – 34.5 KV	\$ 0.101704
Transmission – 115 KV	\$ 0.100496

This change represents a 10.2% increase in the total bill for a residential customer utilizing an average of 1,000 kilowatt hours per month (an increase of \$18.44 per month).


2. GPA should file for a change in the LEAC factors to be effective August 1, 2017 on or before June 15, 2017.

3. As requested by GPA, the forecast of the Working Capital Fund Requirement will remain the same, so there will not be a change in the Working Capital Surcharge for the period of February 1, 2017, through August 31, 2017.
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 §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.


Dated this 26th day of January, 2017.



Jeffrey C. Johnson
Chairman

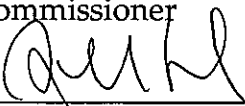


Rowena E. Perez
Commissioner



Joseph M. McDonald
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Michael A. Pangelinan
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Peter Montinola
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Filomena M. Cantoria
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Andrew L. Niven
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