

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF: ) GPA Docket 17-19  
 )  
The Guam Power Authority Levelized )  
Energy Adjustment Clause (LEAC) ) **PUC COUNSEL REPORT**  
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**INTRODUCTION**

1. This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Petition of the Guam Power Authority [“GPA”] to set the LEAC Factor effective August 1, 2017.<sup>1</sup>
2. As a result of its Proposed LEAC Rate, July 10-14, 2017 Pricing, Updated Filing, dated July 14, 2017,<sup>2</sup> GPA now requests that the PUC increase the current Fuel Recovery Factor of \$0.105051/kWh to \$0.117718, effective for meters read on or after August 1, 2017. The change would represent a 6.3% increase in the total bill for a residential customer utilizing an average of 1,000 kilowatt hours per month (an increase of \$12.67 per month).

**BACKGROUND**

3. In its Order dated January 26, 2017, the PUC increased the LEAC Factor from \$0.086613/kWh to \$0.105051 for meters read on or after February 1, 2017.<sup>3</sup>
4. The basis indicated by GPA for the change in the LEAC factor in the current Petition is primarily the “continuing increase in worldwide fuel prices.”<sup>4</sup> The increase in fuel price is also attributable at least in part to “the recent news that OPEC and major non-OPEC producers will extend their existing output cuts for nine months to support oil prices.”<sup>5</sup>

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<sup>1</sup> GPA Petition to Set the LEAC Factor effective August 1, 2017, GPA Docket 17-19, filed June 8, 2017.

<sup>2</sup> Email from Cora Montellano, GPA Asst. CFO, to PUC Counsel Fred Horecky, dated July 14, 2017, with GPA Proposed LEAC Rate, July 10-14, 2017 Pricing, Updated Filing.

<sup>3</sup> PUC Order, GPA LEAC Petition, GPA Docket 17-17, dated January 26, 2017.

<sup>4</sup> Id.

<sup>5</sup> Letter from GPA General Manager John Benavente, to ALJ Fred Horecky, Re: Levelized Energy Adjustment Clause Petition for the period of August 1, 2017 through January 31, 2018, dated May 31, 2017.

5. GPA believes that the market will remain within the \$50-55/bbl. range during the period.<sup>6</sup> GPA also anticipates that the fuel price, effective August 1, 2017, will be \$56.79 per Bbl. RFO and \$70.83 for Diesel.<sup>7</sup>
6. On July 14, 2017, Ms. Montellano provided an updated "Proposed LEAC Rate"<sup>8</sup>. A true and correct copy thereof is attached hereto as Exhibit "1".
7. As a result of the slight decrease in fuel prices since GPA filed its original Petition, GPA is now seeking a LEAC factor of \$0.117718, rather than \$0.117755/kWh, effective for meters read on or after August 1, 2017.<sup>9</sup>
8. GPA is only requesting that it recover \$7.805M, one-half of the \$15.65M estimated under-recovery, in the upcoming LEAC period.<sup>10</sup>
9. GPA has again, for the second straight LEAC period, 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.

#### ANALYSIS

10. If GPA were requesting a LEAC Factor to fully recover the estimated \$15.65M under-recovery in the upcoming LEAC period, the LEAC Factor would have to be increased to \$0.130377, which would constitute a 12.7% increase in the total bill.<sup>11</sup>
11. 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.
12. In accordance with established PUC protocol, the increased LEAC factor resulting from the fuel prices based upon the MS Noon Call from July 10-14, 2017, should be adopted. The LEAC factor should be \$0.117718/kWh as set forth in the GPA Proposed LEAC Rate-Updated Filing.

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<sup>6</sup> GPA Petition to Set the LEAC Factor effective August 1, 2017, GPA Docket 17-19, filed June 8, 2017, at p. 1.

<sup>7</sup> Exhibit A to CCU Resolution No. 2017-16.

<sup>8</sup> Email from Cora Montellano, GPA Asst. CFO, to PUC Counsel Fred Horecky, dated July 14, 2017, with GPA Proposed LEAC Rate, July 10-14, 2017 Pricing, Updated Filing.

<sup>9</sup> Email from Cora Montellano, GPA Asst. CFO, to PUC Counsel Fred Horecky, dated July 14, 2017, with GPA Proposed LEAC Rate, July 10-14, 2017 Pricing, Updated Filing.

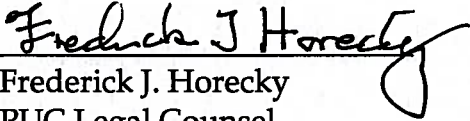
<sup>10</sup> Id.

<sup>11</sup> Id.

**RECOMMENDATION**

13. Counsel recommends that the PUC approve a LEAC Factor of \$0.117718 for the six-month period commencing August 1, 2017, on meters read on and after August 1, 2017.
14. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 17th day of July, 2017.

  
Frederick J. Horecky  
PUC Legal Counsel

Initial Filing	
@ Full Cost Recovery	@ 50% Cost Recovery
Proposed Eff 8/01/2017	Proposed Eff 8/01/2017
\$ 56.79	\$ 56.79
\$ 70.83	\$ 70.83
\$ 54,924	\$ 54,924
24,969	24,969
4,536	4,536
\$ 84,430	\$ 84,430
3,779	3,779
\$ 88,209	\$ 88,209
79.05%	79.05%
\$ 69,725	\$ 69,725
10,703	10,703
-	-
\$ 80,427	\$ 80,427
(5,182)	(4,678)
\$ 75,245	\$ 75,750
\$ -	\$ (7,827)
\$ 75,245	\$ 67,922
576,812	576,812
0.130450	0.117755
0.105051	0.105051
0.02540	0.01270
\$ 25.40	\$ 12.70
24.2%	12.1%
12.7%	6.4%
0.126500	0.114188
0.126135	0.113859
0.124582	0.112458

July 6-12, 2017 Pricing	
Updated Filing	
@ Full Cost Recovery	@ 50% Cost Recovery <sup>(2)</sup>
Proposed Eff 8/01/2017	Proposed Eff 8/01/2017
\$ 56.53	\$ 56.53
\$ 69.03	\$ 69.03
\$ 56,063	\$ 56,063
24,756	24,756
4,536	4,536
\$ 85,355	\$ 85,355
3,702	3,702
\$ 89,057	\$ 89,057
79.05%	79.05%
\$ 70,395	\$ 70,395
11,669	11,669
-	-
\$ 82,064	\$ 82,064
(5,578)	(4,990)
\$ 76,487	\$ 77,074
\$ -	\$ (8,649)
\$ 76,487	\$ 68,425
574,562	574,562
0.133121	0.119091
0.105051	0.105051
0.02807	0.01404
\$ 28.07	\$ 14.04
26.7%	13.4%
14.1%	7.0%
0.129074	0.115470
0.128702	0.115137
0.127118	0.113720

July 10-14, 2017 Pricing	
Updated Filing	
@ Full Cost Recovery	@ 50% Cost Recovery
Proposed Eff 8/01/2017	Proposed Eff 8/01/2017
\$ 55.47	\$ 55.47
\$ 69.06	\$ 69.06
\$ 55,011	\$ 55,011
24,766	24,766
4,536	4,536
\$ 84,314	\$ 84,314
3,780	3,780
\$ 88,094	\$ 88,094
79.05%	79.05%
\$ 69,634	\$ 69,634
10,748	10,748
-	-
\$ 80,382	\$ 80,382
(5,179)	(4,676)
\$ 75,203	\$ 75,706
\$ -	\$ (7,805)
\$ 75,203	\$ 67,901
576,812	576,812
0.130377	0.117718
0.105051	0.105051
0.02533	0.01267
\$ 25.33	\$ 12.67
24.1%	12.1%
12.7%	6.3%
0.126428	0.114153
0.126064	0.113824
0.124512	0.112423

MS Noon Call from July 6-12, 2017.

Remaining projected ending Fuel Cost under recovery of \$8.6 million will be carried forward to the next LEAC period.