

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 16-10
)
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, 2016.¹
2. GPA requests that the PUC maintain the current Fuel Recovery Factor of \$.086613/kWh effective for meters read on or after August 1, 2016. The change would reflect no increase in the LEAC for this LEAC period.²

BACKGROUND

3. On January 25, 2016, the PUC set the LEAC Factor at \$.086613/kWh for the 6-month period commencing February 1, 2016. This factor represented a 9.2% decrease in the total bill for a residential customer utilizing an average of 1,000 kilowatt hours per month (a decrease of \$18.26 per month).³
4. In its instant Petition, GPA submits that the LEAC factor for the upcoming 6-month period (August 1, 2016 through January 31, 2017), should remain the same. Although there has been a slight increase in fuel prices, GPA indicates that more fuel efficient generators have recently come fully on line, Cabras Unit #2 in April 2016, and Cabras #1 in July 2016. Use of more efficient generators should help to moderate fuel costs.⁴

¹ GPA Petition to Set the LEAC Factor effective August 1, 2016, GPA Docket 16-10, filed June 20, 2016.

² Id. at p. 1.

³ PUC Order, GPA Docket 15-27, dated January 25, 2016, at p. 4.

⁴ Id. at p. 1; see also letter from General Manager Benavente to ALJ Horecky, dated June 20, 2016, re: Levelized Energy Adjustment Clause Petition for the period of August 1, 2016 through January 31, 2017, dated June 20, 2016, at p. 1.

5. GPA's spreadsheets attached to its Petition indicate that the net effect of maintaining the current LEAC rate is projected to be an under-recovery of less than \$1.8M.⁵
6. On July 19, 2016, GPA Assistant Chief Financial Officer Cora Montellano submitted an updated analysis of fuel prices since the original Petition was filed in June 2016.⁶

ANALYSIS

7. To determine updated applicable fuel prices herein, GPA used the average of 5 days forward pricing from Morgan Stanley Asia Noon Call dated July 12-18, 2016.
8. The updated analysis indicates that fuel prices have increased since GPA filed its Petition on June 20. As of the filing of the Petition, the average price per Barrel for Residual Fuel Oil was \$42.27. However, as of the date of the updated analysis on July 19, 2016, the average price per Barrel of RFO was \$45.43. In addition, these prices compare with a \$37.35 average price per Barrel of RFO as of the effective date of the last LEAC on February 1, 2016.⁷
9. GPA now estimates that, by keeping the LEAC rate the same for the upcoming 6-month period, there will be a \$4.6M under-recovery at the end of the period.⁸
10. In other words, GPA is agreeing to a LEAC rate under which its fuel costs will be significantly under-recovered over the next six month period.
11. Under GPA Rate Schedule "Z", Levelized Energy Adjustment Clause, GPA is entitled to seek a rate adjustment from the PUC where the under-recovery balance is projected to exceed \$2M during the 6-month levelized period.⁹
12. In this filing, GPA is accepting an under-recovery balance that would normally authorize it to seek a rate adjustment from the PUC.
13. However, Exhibit "1", attached hereto, indicates that a portion of the Cabras 3 & 4 insurance proceeds for Extra Expense & Business Interruption of \$20M will be offset against the projected under-recovery of \$4.6M.

⁵ Id.

⁶ A copy of Assistant CFO Montellano's updated Proposed LEAC Rate is attached hereto as Exhibit "1".

⁷ Supplemental PUC Counsel Report, GPA Docket 15-27, Exhibit "2", dated January 22, 2016.

⁸ See Exhibit "1" attached hereto.

⁹ GPA Rate Schedule "Z".

14. It is appropriate to offset the fuel cost under-recovery of \$4.6M with funds from the Extra Expense & Business Interruption insurance that resulted from the Cabras 3 & 4 explosion. The explosion has caused increased fuel costs through reliance upon Aggreko and the use of less fuel efficient generators.
15. On January 25, 2016, the PUC previously held that GPA should not assume the availability of insurance funds for the purpose of applying such funds to offset LEAC under-recovery.¹⁰ However, the PUC also held that if GPA subsequently received insurance proceeds for fuel costs related to the Cabras explosion, it must then apply such proceeds to the LEAC.¹¹
16. Assistant CFO Montenallos has assured PUC Counsel that GPA has already received funds in the amount of \$20M from the insurers for the Extra Expense & Business Interruption. The LEAC under-recovery should appropriately be paid from such insurance proceeds.
17. The application of such proceeds will mean that the under-recovery of \$4.6M at the end of the LEAC period will be offset with insurance proceeds.
18. This proposed LEAC factor will keep the total bill at the same level over the next six months for a residential customer utilizing an average of 1,000 kilowatt hours per month.¹²

RECOMMENDATION

19. Counsel recommends that the PUC approve a continuation of the current LEAC Factor of \$.086613/kWh for the 6-month period commencing August 1, 2016, on meters read on or after August 1, 2016.

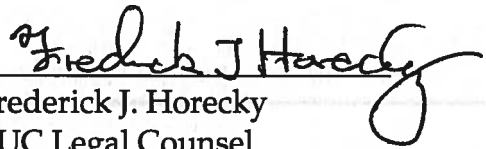
¹⁰ PUC Order, GPA Docket 15-27, dated January 25, 2016, at p. 3.

¹¹ Id. at p. 4.

¹² Id.

20. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 22th day of July, 2016.



Frederick J. Horecky
PUC Legal Counsel

GPA
Proposed LEAC Rate

	Proposed Eff 8/01/2016	No Change ⁽¹⁾ Proposed Eff 8/01/2016	Updated ⁽³⁾ Proposed Eff 8/01/2016	No Change ⁽⁴⁾ Proposed Eff 8/01/2016
1 Average Price per Bbl-RFO ⁽²⁾	\$ 42.27	\$ 42.27	\$ 45.43	\$ 45.43
2 Average Price per Gal-Diesel ⁽²⁾	\$ 63.51	\$ 63.51	\$ 65.48	\$ 65.48
3 Number 6 (HSFO/LSFO)	\$ 44,303	\$ 44,303	\$ 47,559	\$ 47,559
4 Number 2 (Diesel)	14,490	14,490	14,924	14,924
5 Renewable (Solar)	4,508	4,508	4,508	4,508
6 TOTAL COST	\$ 63,301	\$ 63,301	\$ 66,991	\$ 66,991
7 Handling Costs	3,347	3,347	3,361	3,361
8 Total Current Fuel Expense	\$ 66,648	\$ 66,648	\$ 70,352	\$ 70,352
9 Civilian Allocation	79.15%	79.15%	79.13%	79.13%
10 LEAC Current Fuel Expense	\$ 52,755	\$ 52,755	\$ 55,671	\$ 55,671
11 Deferred Fuel Expense	1,734	1,734	1,665	1,665
12 Total LEAC Expense	\$ 54,489	\$ 54,489	\$ 57,336	\$ 57,336
13 Less: Trans. Level Costs	(3,355)	(3,246)	(3,531)	(3,246)
14 Distribution Level Costs	\$ 51,133	\$ 51,243	\$ 53,805	\$ 54,090
15 Under recovery at the end of the period ^{(1) (4)}	\$ 51,133	\$ (1,779)	\$ 53,805	\$ (4,626)
16 Adjusted Distribution Level Costs	\$ 51,133	\$ 49,464	\$ 53,805	\$ 49,464
17 Distribution Level Sales (mWh)	571,095	571,095	571,095	571,095
18 LEAC Factor Distribution	0.089536	0.086612	0.094214	0.086613
19 Current LEAC Factor Distribution	0.086613	0.086613	0.086613	0.086613
20 Increase/(Decrease)	0.002923	(0.00000)	0.00760	(0.00000)
21 Monthly Increase/(Decrease) - 1000 kWh	\$ 2.92	\$ (0.00)	\$ 7.60	\$ (0.00)
22 % Increase/(Decrease) in LEAC	3.4%	0.0%	8.8%	0.0%
23 % Increase/(Decrease) in Total Bill	1.6%	0.0%	4.2%	0.0%
24 Discount (3%) - Primary 13.8 KV	0.086834	0.083997	0.091370	0.091370
25 Discount (4%) - 34.5 KV	0.086583	0.083755	0.091107	0.091107
26 Discount (5%) - 115 KV	0.085518	0.082724	0.089986	0.089986

Notes:

- (1) The LEAC rate will remain the same, as such the projected ending Fuel Cost under recovery of \$1.8M will be carried forward to the next LEAC period.
 - (2) PUC filing using the average of MS Noon call dated May 5-11, 2016
 - (3) Updated fuel price using the average of MS Noon call dated July 12-18, 2016
 - (4) There will be \$4.6 million under recovery at the end of the period if the LEAC rate remains the same.
- This under recovery will be offset against the Calbras 3&4 insurance claim on Extra Expense and Business Interruption of \$20 million.