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Public Utilities Commission
GUAM

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

GUAM POWER AUTHORITY
LEVELIZED ENERGY ADJUSTMENT CLAUSE [LEAC] — GPA DOCKET 14-12

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 June 16, 2014, to the PUC.[1] GPA requested that the Levelized Energy Adjustment Clause Factor ["LEAC"], for the six-month period commencing August 1, 2014, be increased from $0.172968/kWh to $0.181670/kWh effective for meters read on or after August 1, 2014.[2] This increase in the LEAC factor represents a 3.25% increase in the total bill or a $8.68 increase for a residential customer utilizing an average of 1,000 kilowatt hours per month.[3]

The basis for the LEAC filing is that while there has been a slight decrease in fuel prices, there were three baseload units which had reduced operating hours which increased the amount of diesel fuel burned during the period.[4] GPA did not include a request for an additional $1 million in LNG startup costs, but reserves the right to include that in the LEAC period.[5]

On June 3, 2014, the Guam Consolidated Commission on Utilities, in Resolution No. 2014-24, authorized GPA Management to Petition the PUC for the increase in the LEAC for the period August 1, 2014 – January 31, 2015 as set forth in GPA's Petition.[6] The net impact of the slight decrease in fuel prices and the unavailability of three baseload units due to scheduled overhauls or reduced operating hours increased the amount of diesel fuel burned during the period, thereby also increasing the cost of fuel to the customer.[7]

The CCU indicated that, in the upcoming six month period, the DanDan solar facility is expected to come online; GPA has assumed that 50% of the normal

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[1] GPA LEAC Filing, GPA Docket 14-12, filed June 16, 2014, at p. 1.
[2] Id.
[3] Id.
[4] Id.
[5] Id.
[6] CCU Resolution No. 2014-24, issued June 3, 2014.
[7] Id. at p. 2.

system output will be received during the next six month LEAC period.[8] The Working Capital Fund Surcharge would remain constant during the next six month period.[9]

On July 28, 2014, the PUC's Consultant, Slater Nakamura & Co. LLC [hereinafter "SNC"], submitted its updated Report on the Review of the Proposed LEAC Adjustment.[10] In particular, SNC undertook an analysis of the estimated generation in the forecast period based on sales, plant use, losses and company use. Actual and projected result for fuel and fuel handling expenses were investigated.[11] SNC recommended a change to GPA in how generation would be estimated during the Forecast period. SNC and GPA also worked together to estimate the impact of the update of the forecast of residual and diesel fuel oil prices based on the July Morgan Stanley estimates.[12]

Based upon GPA's filing, SNC and GPA agreed upon a "scenario" that reduced the LEAC increase to $0.176790. This "scenario" was based upon (1) replacement of GPA's 2013 sales and generation forecast with its 2014 revised forecast that is also being used for the Engineer's Report in GPA's bond financing case, GPA Docket 14-09; (2) estimation of generation in the Forecast period based on Civilian losses in the first three months of the reconciliation period; and (3) reduction of Navy generation to mirror the loss adjustment made for Civilian generation.[13] The revised "scenario", by relying upon a combination of reduced loss estimates based on recent history, reliance on the 2014 load forecast and monthly rates of growth for civilian sales, and the updated Morgan Stanley estimated fuel prices, is reasonable and consistent with declining fuel prices.[14]

SNC examines certain expenses that relate to the new 25mW solar plant at DanDan. SNC finds that the new solar facility is likely to be "used and useful" during the Forecast period. SNC adjusted GPA's LEAC estimates by removing from fuel handling expenses costs of interconnection planning and other transmission and distribution expenses related to integrating the new solar plant/renewable resource.[15]

[8] Id.
[9] Id.
[10] Slater, Nakamura & Co. Report on the Investigation of the Request for LEAC Adjustment, GPA Docket 14-12, filed July 28, 2014.
[11] Id. at p. 2.
[12] Id.
[13] Id. at pgs. 2-3.
[14] Id. at p. 4.
[15] Id. at p. 3.

SNC concludes that certain internal labor charges that GPA seeks to include in LEAC ($260,000) related to the renewable energy project) should not be included. As a policy matter, these capitalized labor expenditures related to interconnection and substation operations which support transmission and distribution are one-time capital related T & D charges that do not fit reasonable criteria for inclusion in the LEAC as it is now designed.[16] If the renewable IPP enters commercial service during the Forecast period, SNC finds that LEAC expenses will be reduced by approximately $89,000 from the net impact of paying for the renewable IPP's purchased power and the avoided costs of running the Tanguisson plants.[17]

Finally, SNC removed an assumed growth rate of 1% in the level of sales for Civilian customers served at primary voltages (changing it to zero growth).[18] When SNC's recommended adjustment is combined with GPA's Revised Scenario, the secondary LEAC rate becomes $0.176441.[19] SNC recommends that the approved LEAC rate to secondary customers be increased to $0.176441 per kWh instead of the $0.181670 per kWh proposed by GPA in its original filing.[20] Under GPA's original LEAC rate proposal, there would have been a 3.25% increase in the total bill or an $8.68 increase for a residential customer utilizing an average of 1,000 kilowatt hours per month. Under the SNC recommended LEAC rate, there would be an increase of 1.30% in the total bill, or $3.48, per month for the residential customer utilizing an average of 1,000 kilowatt hours.[21]

SNC suggests that the issues regarding sales, loss and generation forecasting continue to be examined in the next LEAC proceeding. SNC recommends that GPA include certain items in its next LEAC filing including actual monthly Navy sales, and actual monthly losses for Navy and Civilian sales.[22] Certain transparency issues regarding GPA reporting have been resolved. There is still an open issue concerning the delayed reconciliation of the sixth month in the LEAC reconciliation period. There is a timing issue that may be inequitable to both GPA and its customers. In periods when the closing recovery balance is overstated due to decreasing costs, then customers provide an interest free loan to GPA. When the closing recovery balance is understated due to increasing

[16] Id. at p. 25.
[17] Id. at p. 23.
[18] Id.
[19] Id. at p. 26.
[20] Id. at p. 29.
[21] Id. at p. 3.
[22] Id. at p. 29.

costs, GPA funds working capital instead of receiving them from LEAC revenues.[23]

SNC foresees that there may be future regulatory challenges faced by the PUC concerning what costs to include in LEAC. Issues may arise whether to include 40 mW battery storage costs, FAS 71 treatment for LNG consultancy costs, and future capital improvements for LNG within LEAC. A rapid increase in GPA's capital expenditures could cause challenges to GPA's cash flow and lead to requests to incorporate expenditures not contemplated in the original LEAC design. In SNC's opinion, the current 45 day review time by the PUC for LEAC requests may not be sufficient to fully address such requests.[24]

DETERMINATIONS

1. In future LEAC filings, GPA should include certain items filing such as actual monthly Navy sales, actual monthly losses for Navy and Civilian sales. Such items should be filed in accordance with the recommendations of SNC.

2. PUC adopts the recommendation in the SNC Report that SNC and GPA continue to examine the present methods by which generation, sales, and losses are forecasted for the Reconciliation period. The PUC must ensure that such generation forecasts are accurate, and are passing on to customers only such fuel costs as accurately reflect the true cost to GPA of such fuel costs.

3. GPA should continue to file a report that "trues-up" the sixth month of the reconciliation period for all data elements, as outlined in the PUC LEAC Order issued in GPA Docket 14-03 on January 30, 2014.

4. The PUC should adopt the scenario developed by GPA and SNC in this proceeding, and the adjustments proposed to the LEAC factors by SNC.

[23] Id. at p. 30.
[24] Id. at p. 31-32.

ORDERING PROVISIONS

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 July 31, 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 August 1, 2014, as shown in the following table:

Delivery Classification	LEAC $ per kWh
Secondary -	$ 0.176441
Primary – 13.8 KV	$ 0.169629
Primary – 34.5 KV	$ 0.168999
Transmission – 115 KV	$ 0.166317

   This change represents a 1.30% increase in the total bill for a residential customer utilizing an average of 1,000 kilowatt hours per month ($3.48 per month).

2. In future LEAC filings, GPA should include certain items filing such as actual monthly Navy sales, actual monthly losses for Navy and Civilian sales. Such items shall be filed in accordance with the recommendations of SNC.

3. GPA should file for a change in the LEAC factors to be effective February1, 2015 on or before December 15, 2014.

4. 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.

5. SNC and GPA shall continue to examine the present methods by which generation, sales, and losses are forecasted for the Reconciliation period. Such forecast methods shall continue to be examined in the next LEAC docket. The PUC must ensure that such forecasts are accurate, and are

passing on to customers only such fuel costs as accurately reflect true cost to GPA.

6. GPA shall continue to file a report that "trues-up" the sixth month of the reconciliation period for all data elements, as outlined in the PUC LEAC Order issued in GPA Docket 14-03 on January 30, 2014.

7. The PUC adopts, for purposes of this proceeding, the scenario developed by GPA and SNC for determining the LEAC factor but reserves the right to review and/or adjust any assumptions or determinations involving such scenario in future proceedings.

8. 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 31st day of July, 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	