



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 19-11
)
The Guam Power Authority Levelized)
Energy Adjustment Clause (LEAC)) ORDER
)
)
)

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, 2019.1
2. In its Petition, GPA requests that the Levelized Energy Adjustment Clause Factor ["LEAC"] be maintained at \$0.154242/kWh effective for meters read on or after August 1, 2019.2
3. GPA seeks to maintain the LEAC Factor at the same level implemented on May 1, 2018.3

BACKGROUND

- 4. For the upcoming LEAC period, GPA believes that there will continue to be "instability in world-wide fuel prices."4 According to GPA, the market will remain within the \$72-74/bbl. range during the period. However, GPA's Petition indicates that maintenance of the LEAC factor at the same rate for the upcoming LEAC period will still result in a projected under-recovery on January 31, 2020, of approximately \$9.7M.5
5. In Consolidated Commission on Utilities Resolution No. 2019-08, the CCU authorized the GPA General Manager to petition the PUC for the LEAC rate to

1 GPA Petition to Set the LEAC Factor effective August 1, 2019, GPA Docket 19-11, filed June 12, 2019.
2 Id. at p. 1.
3 See ALJ Report, GPA Docket 19-07, filed January 29, 2019 at p. 1.
4 GPA Petition to Set the LEAC Factor effective August 1, 2019, GPA Docket 19-11, filed June 12, 2019, at p. 1.
5 Id.

remain at \$0.154242/kWh for the period from August 1, 2019 through January 31, 2020.⁶

6. The CCU noted that the original projection for the market price of fuel for the period of February 1, 2019 through July 31, 2019 was \$66.73/bbl. However, the current projection for the same period is \$72.87/bbl. and the projected price of fuel for the period ending January 31, 2020 is \$74.18/bbl.⁷
7. The CCU further determined that it would not petition the PUC for a change in the LEAC factor for secondary voltage service customers as well as alternative voltage customers for the upcoming LEAC period.⁸
8. Finally, the CCU recognize that the most recent Morgan Stanley market projections indicate falling fuel prices over the next year; GPA intends to take advantage of this market to reduce the current under-recovery for fuel.⁹

DETERMINATIONS

9. The ALJ filed his Report dated July 18, 2019; he continues to be concerned that GPA has a large under-recovery of its fuel expenses.
10. As the ALJ indicated in his Report in GPA Docket 19-07, dated January 29, 2019:

“A significant fact is that the LEAC factor accepted by GPA for the last three LEAC periods has not been fully adequate to reimburse GPA for its fuel costs. The purpose of the LEAC factor under Tariff Z is for GPA to recover the projected fuel expense for the next six-month LEAC period. Ideally, the LEAC factor would fully reimburse GPA for its fuel costs in the upcoming period.

The LEAC mechanism is a “pass through”, which means that it is designed to cover all of GPA’s fuel expenses. Ratepayers are supposed to pay a fuel charge that will fully reimburse GPA for its costs of fuel.

⁶ Guam Consolidated Commission on Utilities Resolution No. 2019-08, Authorizing the Management of the Guam Power Authority to Petition the Guam Public Utilities Commission for No Change in the Levelized Energy Adjustment Clause, adopted on May 28, 2019.

⁷ Id.

⁸ Id.

⁹ Id.

Yet, it is an established fact that GPA's acceptance of the current LEAC factor has consistently resulted in an under-recovery by GPA of its fuel costs in the last three LEAC periods. That means that the LEAC factor was set at a lower rate than was necessary to fully recover GPA's fuel costs."¹⁰

11. To explore GPA's fuel cost under-recovery situation, the ALJ issued Requests for Information to GPA. A true and correct copy of GPA's Responses to GPUC Requests for Information, filed June 12, 2019, is attached to the ALJ Report as Exhibit "1".¹¹
12. The following GPA fuel cost under-recovery information can be gleaned from the GPA responses:

GPA LEAC UNDER-RECOVERY

Date	Under-Recovery Balance
01/31/2019	\$13,336,698.41
05/31/2019	\$12,975,911.19
07/31/2019	\$10,598,569 (estimated)
01/31/2020	\$3,928,744 (estimate)

13. There has been a gradual reduction in the under-recovery balance. As of June 12, GPA indicated that there could be a substantial reduction in the LEAC under-recovery to \$3,928,744 as of January 31, 2020. This estimate of the LEAC under-recovery was substantially less than the figure of \$9.7M indicated in GPA's LEAC Filing.¹²
14. 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.¹³

¹⁰ ALJ Report, GPA's LEAC Filing, GPA Docket 19-07, dated January 29, 2019.

¹¹ GPA Responses to GPUC Requests for Information, GPA Docket 19-11, filed July 5, 2019.

¹² GPA Petition to Set the LEAC Factor effective August 1, 2019, GPA Docket 19-11, filed June 12, 2019, at p. 1.

¹³ PUC LEAC Order, GPA Docket 15-27, dated January 25, 2016, at p. 2.

15. The ALJ requested that the GPA Assistant CFO update fuel prices in accordance with prior PUC protocol.¹⁴ On July 18, 2019, GPA Assistant Chief Financial Officer Cora Montellano submitted such updated analysis for the period of July 8-12, 2019.¹⁵ That updated analysis is attached to the ALJ Report as Exhibit "2".¹⁶
16. Exhibit "2" shows that the fuel prices are slightly lower compared to the original filing in June. While the estimated under-recovery for the period ending January 31, 2020 is not as low as that submitted by GPA on June 12, 2019, that under-recovery balance changed from \$9.7 million when the Petition was filed to \$8.4 million now.
17. The current LEAC factor should be maintained in place in order to further reduce GPA's LEAC under-recovery balance.
18. In response to Request for Information No. 3, GPA had previously estimated (using forward fuel prices of the Morgan Stanley Asia Morning Call of June 18 to June 24, 2019) that the current under-recovery balance **should be fully recovered by May 2020.**¹⁷
19. Because of higher recent fuel prices, there is some question as to whether the entire under-recover balance will disappear by May 2020. However, Thus, there is a likelihood that the fuel under-recovery will decrease considerably before the next LEAC period begins in February 2020.

ORDERING PROVISIONS

After carefully reviewing the record in this proceeding, having considered the LEAC Filing of GPA and the PUC Administrative Law Judge Report, and after discussion at a duly noticed regular meeting held on July 25, 2019, 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. GPA is authorized to maintain the Fuel Recovery Factor at \$0.154242/kWh effective for meters read on or after August 1, 2019.

¹⁴ Email from PUC ALJ Fred Horecky to GPA Assistant Chief Financial Officer Cora Montellano dated July 12, 2019.

¹⁵ Email from GPA Asst. CFO Cora Montellano to PUC ALJ Fred Horecky, dated July 18, 2019, with updated Fuel Price Analysis for Proposed LEAC Rate, with average forward fuel pricing from July 8-12, 2019.

¹⁶ Exhibit "2", GPA Updated Proposed LEAC rate, submitted July 18, 2019.

¹⁷ GPA Response to GPUC Request for Information (RFI #3), GPA Docket 19-11, filed July 2, 2019, at p. 2.

2. The current singular LEAC factors are hereby maintained at the same present rates, effective August 1, 2019, as shown in the following table:

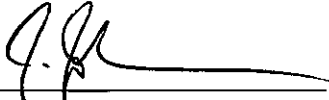
LEAC	
Delivery Classification \$ per kWh	
Secondary -	\$ 0.154242
Primary – 13.8 KV	\$ 0.149579
Primary – 34.5 KV	\$ 0.149148
Transmission – 115 KV	\$ 0.147312

For the entire LEAC period, these changes represent a 0% increase in the total bill for a residential customer utilizing an average of 1,000 kilowatt hours per month.

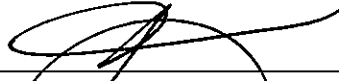
3. GPA should file for a change in the LEAC factors to be effective February 1, 2020, on or before December 15, 2019.
4. As requested by GPA, the forecast of the Working Capital Fund Requirement will remain the same, so there will not be a change in the Working Capital Surcharge for the period of August 1, 2019, through January 31, 2020.
5. 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.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

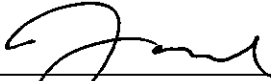
Dated this 25th day of July, 2019.



Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner



Joseph M. McDonald
Commissioner



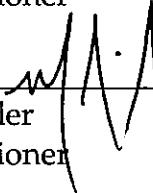
Michael A. Pangelinan
Commissioner



Peter Montinola
Commissioner



Filomena M. Cantoria
Commissioner



Mark Miller
Commissioner