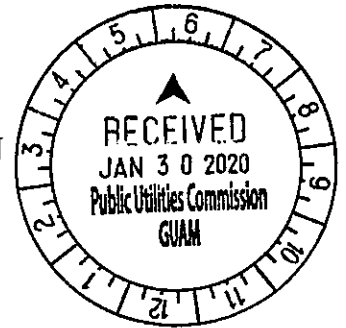


BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 20-03
The Guam Power Authority Levelized)
Energy Adjustment Clause (LEAC)) ALJ REPORT

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 February 1, 2020.1
2. GPA seeks to reduce the LEAC Factor from \$.154242/kWh to \$.131145/kWh for meters read on or after February 1, 2020.2

BACKGROUND

- 3. For the last three (3) 6-month LEAC periods, the LEAC Factor has remained constant at \$.154242/kWh. The PUC maintained the prior LEAC Factor in effect to reduce GPA's LEAC under-recovery balance.3
4. The under-recovery balance, as of January 31, 2019, was \$13,336,498.41. GPA's Petition now estimates that the under-recovery balance will be reduced to \$3.3 million by January 31, 2020.4
5. The request in the GPA Petition to decrease the current LEAC factor to \$.131145/kWh is based upon an assumption that oil prices are projected to be \$50-55/Bbl. for the upcoming six-month period: "The oil market has continued to

1 GPA Petition to Set the LEAC Factor effective February 1, 2020, GPA Docket 20-03, filed December 12, 2019.

2 Id.

3 PUC Order, GPA Docket 19-11, dated July 25, 2019.

4 Id.; see also email from Cora Montellano, Asst. CFO, GPA, to Frederick Horecky, PUC ALJ, dated December 30, 2019.

remain low with the price of residual fuel oil below \$40/Bbl. over the past three weeks.”⁵

6. However, in its LEAC calculation, GPA included in its fuel pricing an estimated “**Forward Pricing + 7.5% Movement...**” based upon the Morgan Stanley pricing over the six-month period.⁶ It appears that, instead of basing its LEAC Factor projection upon the current fuel pricing, GPA added in an additional projected upward price movement of 7.5% over the next six-month period.
7. A review of the Consolidated Commission on Utilities Board Materials for its meeting of November 26, 2019, indicates its thought process for the “7.5% Movement” for Forward Pricing. At its meeting, the CCU considered different LEAC factors with varying upward price movement calculations, including proposals of 15% Movement up, 7.5% Movement Up and 5.7% with Market Movement up.⁷ In other words, GPA calculated different LEAC factors based upon its estimate of market increase in fuel prices over the next six months.
8. The LEAC factor requested by the CCU, \$.131145, was based upon an assumption of a 7.5% market movement from February to July 2020.
9. As GPA stated: “the Petition to decrease the current LEAC factor is a compromise between the projected decline in fuel prices over the next year and expected increases as OPEC and its allies continue its 1.2 billion barrels per day supply cut through the end of 2020 in the hopes of boosting the global economy.”⁸
10. The change in the LEAC factor requested by GPA would reflect an approximate 14.97% decrease in the LEAC factor and an approximate 9.28% decrease on the total bill for a residential customer utilizing an average of 1,000 kilowatt hours per month.⁹

⁵ GPA Petition to Set the LEAC Factor effective February 1, 2020, GPA Docket 20-03, filed December 12, 2019, at attached letter dated December 12, 2019 from General Manager John Benavente to PUC ALJ Frederick Horecky.

⁶ GPA Petition to Set the LEAC Factor effective February 1, 2020, GPA Docket 20-03, filed December 12, 2019, at Exhibit “A”.

⁷ CCU Board Packet Materials for its meeting dated November 26, 2019, at pgs. 91-101.

⁸ GPA Petition to Set the LEAC Factor effective February 1, 2020, GPA Docket 20-03, filed December 12, 2019, at attached letter dated December 12, 2019 from General Manager John Benavente to PUC ALJ Frederick Horecky.

⁹ GPA Petition to Set the LEAC Factor effective February 1, 2020, GPA Docket 20-03, filed December 12, 2019, at p. 1.

11. In addition to a "Forward Pricing" element in its LEAC calculation, a second new aspect of the current LEAC filing is that GPA seeks to include in the LEAC factor a charge to fund the GPA Demand Side Management Program. The Demand Side Management Program has been in effect since July of 2014.¹⁰ The purpose of the program is to provide rebates to GPA customers for the purchase of energy efficient appliances. At present GPA has implemented DSM programs for Central A/C, Ductless A/C, Washer, and Dryer.¹¹ The purpose of the DSM program is to reduce GPA ratepayer consumption of fuel through energy efficiency measures, and also to reduce the need to increase new generation capacity.
12. In its calculation of the proposed LEAC factor, GPA would include funding of \$1.5 Million for the DSM program for the period February 1, 2020 through July 31, 2020. GPA includes an estimated \$1.5 Million for costs associated with the DSM rebate program, "which has an estimated impact of \$0.002/kWh for the anticipated LEAC period. DSM under LEAC represents a 1.48% of the anticipated fuel cost for the period..."¹²
13. GPA's theory is that the funding of the DSM program through LEAC is justified, as DSM reduces GPA's fuel cost by lowering the consumption of fuel required to be included in the LEAC factor. GPA has also presented its request for inclusion of DSM program costs in its Petition in GPA Docket 20-05.¹³

ANALYSIS

14. Initially, it is unclear why GPA included a "Forward Pricing + 7.5% Movement" in its LEAC calculation. Historically, from the inception of the LEAC factor process to the present time, GPA has never previously included a "Forward Pricing Movement" in its LEAC Calculation. The customary approach has been that GPA determines a set fuel price for RFO and Diesel for the projected 6-month LEAC period. In accordance with established PUC procedure, the determination of the projected fuel prices is always based upon the five-day average of such prices ten days before the PUC Meeting. Inclusion of Forward Pricing has never been a part of the process for determining the LEAC factor for the next six-month period.

¹⁰ PUC Order, GPA Docket 13-14, dated July 31, 2014.

¹¹ CCU Resolution No. 2019-18, adopted November 26, 2019, at p. 1.

¹² Id., at p. 2.

¹³ GPA Petition to Review and Approve the Execution of the GPA Demand Side Management (DSM) Programs using LEAC Funds, GPA Docket 20-05, dated December 5, 2019.

15. The PUC should not allow GPA to include "Forward Pricing" in its LEAC determination. Such inclusion is contrary to the established LEAC process. Inclusion of forward pricing would render the specific fuel pricing upon a five-day average meaningless. An estimated forward pricing is highly speculative.
 16. Additionally, "forward pricing" by GPA is unnecessary. GPA already has protection against inordinate price increases during the six-month LEAC period. GPA can file an interim petition for increase in LEAC during the LEAC period where there is a required \$2M threshold increase.¹⁴
 17. Therefore, the calculation of the proper fuel pricing must be determined based upon the updated average of the Morgan Stanley Fuel Forecast prices for the five-day period occurring ten days before the PUC January 30, 2020, meeting date.
 18. With regard to fuel pricing, fuel prices increased considerably after the Consolidated Commission on Utilities approved its LEAC factor in November of 2019. As of the date of CCU approval of the LEAC Factor, November 26, 2019, the Singapore Gasoil price for 10ppm was \$76.63; the Singapore HSFO price for 180CST was \$239.76 per metric ton. As of January 7, 2020, the price for Singapore Gasoil 10ppm had increased to \$81.21 per barrel; the price for Singapore HSFO 180CST had increased to \$336.85 per metric ton.¹⁵ However, more recently, fuel prices again decreased considerably. As of January 17, 2020, the price for Singapore Gasoil 10ppm had decreased to \$75.35 per barrel; the price for Singapore HSFO 180CST had decreased to \$329.55 per metric ton.¹⁶ The lesson from fuel pricing in this docket is that it is extremely volatile.
 19. At this point in time, the ALJ is not yet prepared to recommend to the PUC that it include \$.0021/kWh in the LEAC factor for funding of the DSM program. The ALJ has issued requests for information to GPA concerning the DSM program, the responses to which are outstanding. A true and correct copy of the RFIs are attached hereto as Exhibit "1".
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20. Additional time is needed for discussions between GPA and the ALJ before a proper recommendation can be made as to inclusion of DSM costs in the LEAC Factor.

¹⁴ GPA Tariff Z.

¹⁵ Morgan Stanley Asia Morning Call, Price Indications for November 26, 2019 and January 3, 2020.

¹⁶ Morgan Stanley Asia Morning Call, Price Indications for January 17, 2020.

21. On January 17, 2020, Lenora M. Sanz, GPA Controller, provided the ALJ the LEAC Analysis Update. In accordance with the established procedure, the Update provided a five-day average of fuel prices ten days before the PUC Meeting (Forward Pricing from January 13-17, 2020). A true and correct copy thereof is attached hereto as Exhibit "2".¹⁷
22. The average fuel prices in the Update are \$59.14 per bbl. RFO and \$85.66 per bbl. Diesel. The recommended LEAC Factor for the next six-month period, Forward pricing (No Movement Up) without DSM, is \$0.134474, nearly two cents per kWh lower than the Factor for the last six-month period. At the end of the next six-month period there will be no under-recovery balance. The new Factor will result in a 12.82% decrease in the LEAC Factor and a 7.94% decrease in the total bill.¹⁸
23. Prices since the GPA Update continue to show the volatility of fuel prices. As of January 24, 2020, the price for Singapore Gasoil 10ppm had decreased to \$73.59 per barrel; however, the price for Singapore HSFO 180CST had increased to \$342.70 per metric ton. Morgan Stanley predicts that fuel prices will be decreasing for the next year into calendar year 2021.¹⁹

RECOMMENDATION

23. The Administrative Law Judge recommends that PUC approve a LEAC Factor of \$0.134474 for the six-month period commencing February 1, 2020, on meters read on and after February 1, 2020.
 24. The PUC should hold that GPA may not include a "Forward Pricing Movement" in its LEAC Factor determination.
 25. At present PUC should not authorize inclusion of funding for the DSM program in the LEAC Factor. This matter should be further discussed between GPA and the ALJ, subject to final review and approval of the PUC.
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23. A Proposed Order is submitted herewith for the consideration of the Commissioners.

¹⁷ Email from Lenora M. Sanz, GPA Controller, to Frederick J. Horecky, PUC ALJ, dated January 17, 2019.

¹⁸ Id.

¹⁹ Morgan Stanley Asia Morning Call, Price Indications for January 24, 2020.

ALJ Report
GPA's LEAC
GPA Docket 20-03
January 27, 2020

Dated this 27th day of January, 2020.

Frederick J. Horecky
Chief Administrative Law Judge

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 20-05
)
) PUC REQUESTS FOR INFORMATION
GPA Demand Side Management)
)
_____)

The Guam Public Utilities Commission ["PUC"] hereby requests that the Guam Power Authority ["GPA"] respond to the enclosed Requests for Information on or before January 20, 2020.

1. GPA previously submitted a Report on DSM to the PUC on or about September 1, 2017. Since that time, PUC has been provided very little information by GPA on the status and update of the DSM program regarding the ten proposed new initiatives. And, while GPA has updated PUC on annual DSM expenses for existing programs, it has not provided updates on the planning process, or the implementation of, the ten new DSM initiatives. Those ten initiatives are set forth in the PUC Order in GPA Docket 13-14 dated May 25, 2017.

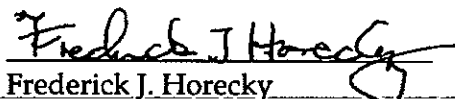
Please provide a complete update on the report to the PUC dated September 1, 2017. The PUC has updated expense figures for the existing DSM program. However, a thorough update is needed on the existing DSM program and the "DSM rebate program expansion implementation plan." All aspects in the Report relative to the DSM program and its expansion should be covered in GPA's report. The update should include, but not be limited to, direct implementation steps, including matters set forth at pages 9-13 of the September 1, 2017 report. What steps have been taken to implement the expansion rebate program? The Update should also include any progress made on Parallel tasks, such as execution of the DSM marketing plan, the establishment of rebate levels, the creation of a Consolidated DSM Program Handbook, research on new energy efficiency technologies, establishment of a new DSM section of GPA, and progress in DSM planning. The update should indicate progress and certification of trade allies, the rebate process, marketing, energy solutions K-12 STEM Program, completed aspects of the program, the UESC Contract and Activities, and UESC development/follow-up activities.

2. Provide a three-year plan (2020-2023) for implementation of the ten new expanded DSM programs, including the plan elements referenced in the September 1, 2017, Report.

3. Provide present DSM budgets that GPA has for FY2020, FY2021, and FY2023 for the overall DSM program. If GPA does not have such budgets, please prepare and submit them to PUC.
 4. What is the present remaining balance of funds that GPA has available for DSM? Please provide financial documentation supporting that such balance is accurate and correct. Information provided should include all amounts expended for DSM in 2019 and 2020, and the purposes for which such funds were expended.
 5. By what date does GPA estimate that the remaining budget balance will be exhausted? GPA Resolution No. 2019-18 indicated that "the current available funding will eventually run out for the current budget...". How "eventually" will the funds run out? Indicate what expenditures will be made from any remaining budget and the timing and purpose thereof.
 6. For the LEAC proposed by GPA for February-July, 2020, GPA has proposed that PUC include \$1.5M in the LEAC factor for DSM. For what expenditures will these funds be utilized? Indicate the specific purposes for which the \$1.5M will be used, i.e. specific plans and programs, and the expenditures for each, and specific allocations of the funds for every element of such plans and programs.
 7. Has GPA considered any other sources of funding for DSM? For example, there surely must be unexpended bond funds that could be used for this purpose. Please provide a current update on all remaining bond funds that have been unexpended. Could any of such bond funds be used to fund DSM?
 8. Does GPA intend that the sum of \$1.5M for DSM would be included in every LEAC 6-month factor going forward into the future? If so, shouldn't PUC require a monitoring protocol and true-up procedure? What would happen if GPA did not expend the \$1.5M in the six-month LEAC period? Would the DSM budget in LEAC be reduced for the next LEAC period? How does GPA propose that such issues be handled? Please submit a proposed protocol.
 9. Is there a present budget in the amount of \$3M for FY2020 (as suggested in the CCU Resolution)? If so, please provide such budget to the PUC.
-
10. Present figures (CCU Regular Meeting, November 26, 2019 Packet) indicate that in 2019, GPA paid approximately \$1.4M for rebates on the existing four DSM programs. How did GPA arrive at an allocation of \$1.7M for residential rebate applications for FY2020? Provide all available documentation and written materials which support the estimate of \$1.7M for residential rebate applications for FY2020.

11. If GPA has not already done so, specify the specific plans and purposes for which the remaining \$1.3 million will be utilized to expand the DSM program new initiatives. All budgets, explanations, graphs and spreadsheets pertaining thereto should be provided to the PUC.
12. GPA claims that for the \$2.28M in rebates paid to date "there is an estimated \$21.3M in fuel savings over the estimated equipment life." Provide all documentation, written materials or other support which demonstrates actual fuel savings from the DSM program or otherwise justifies GPA's claim.
13. If the ten new DSM programs have not yet been implemented, indicate when such programs are projected to be operational. If they have been implemented, indicate the date of implementation, and what progress has been made on each program to date.
14. GPA Resolution No. 2019-18 claims that annual energy fuel savings from the DSM program is approximately 4,012,000kWh, and that, to date, demand reduction achieved from the program is approximately 3,108kW. Please provide all papers, reports, documents, spreadsheets or other materials which establish such fuel savings and demand reduction from the program. Please describe, with specificity and detail, the calculations upon which GPA bases its request to fund DSM through LEAC with an initial rate of \$.0021/kWh.
15. Does GPA intend to continue the four current DSM programs (Central A/C, Ductless A/C, Washer & Dryer in effect)? If so, will the programs remain in effect as presently constituted or are any changes anticipated? If changes are contemplated, please indicate what such changes will be.

Submitted this 6th day of January, 2020.


Frederick J. Horecky
Chief Administrative Law Judge

GPA

Proposed LEAC Rate (\$000)

	Updated Forward Pricing 01/17/20	
	Full Recovery At Current MS Forward Pricing with DSM NO Movement up Eff 2/01/2020	Full Recovery At Current MS Forward Pricing without DSM NO Movement up Eff 2/01/2020
2 Average Price per Bbl-RFO	\$ 59.14	\$ 59.14
2 Average Price per Bbl-Diesel	\$ 85.56	\$ 85.56
4 Number 6 (HSFO/LSFO)	\$ 57,722	\$ 57,722
5 Number 2 (Diesel)	33,131	33,131
6 Renewable (Solar)	5,575	5,575
7 TOTAL COST	\$ 96,428	\$ 96,428
8 Handling Costs	5,900	5,900
9 Total Current Fuel Expense	\$ 102,328	\$ 102,328
10 Civilian Allocation	81.62%	81.62%
11 LEAC Current Fuel Expense	\$ 83,519	\$ 83,519
12 Estimated DSM for this period	\$ 1,500	\$ -
13 Deferred Fuel Expense at the beginning of the period	2,748	2,748
14 Total LEAC Expense	\$ 87,767	\$ 86,267
15 Less: Trans. Level Costs	(5,181)	(5,093)
16 Distribution Level Costs	\$ 82,586	\$ 81,175
17 Under recovery at the end of the period	\$ -	\$ -
18 Adjusted Distribution Level Costs	\$ 82,586	\$ 81,175
19 Distribution Level Sales (mWh)	603,646	603,646
20 LEAC Factor Distribution		
21 Current LEAC Factor Distribution	0.154242	0.154242
22 Increase/(Decrease)	(0.01743)	(0.01977)
23 Monthly Increase/(Decrease) - 1000 kWh	\$ (17.43)	\$ (19.77)
24 % Increase/(Decrease) in LEAC	-11.30%	-12.82%
25 % Increase/(Decrease) in Total Bill	-7.00%	-7.94%
26 Discount (3%) - Primary 13.8 KV	\$ 0.132693	\$ 0.130425
27 Discount (4%) - 34.5 KV	\$ 0.132311	\$ 0.130050
28 Discount (5%) - 115 KV	\$ 0.130632	\$ 0.128449

Notes: This LEAC filing reflects the actual under recovery through December 31, 2019 and the average forward pricing from January 13-17, 2020.