

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 20-12
)
The Guam Power Authority Levelized)
Energy Adjustment Clause (LEAC)) **ALJ REPORT**
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)
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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 an Interim LEAC Factor effective April 1, 2020.¹
2. GPA seeks to reduce the LEAC Factor from \$.134474/kWh to \$.110039/kWh for meters read on or after April 1, 2020.²

BACKGROUND

3. On January 30, 2020, the PUC set a LEAC factor of \$.134474/kWh for meters read on or after February 1, 2020.³ That factor would normally remain in effect for a six-month period, or until July 31, 2020.
4. However, GPA Rate Tariff, Rate Schedule “Z”, provides: “In the event that GPA has a cumulative under [or over] recovery balance of more than \$2 million or if the under [over] recovery balance is projected to exceed \$2 million during the six-month levelized period.....the Fuel Recovery Charge may be adjusted to recover such deficit, subject to PUC approval.”⁴
5. GPA indicates that the basis for its interim LEAC adjustment request is that “the average market price of residual fuel oil and diesel to be used in the current period was approved at \$59.14/bbl and the current projection for April 1, 2020 to July 31,

¹ GPA Petition to Set the Interim LEAC Factor effective April 1, 2020, GPA Docket 20-12, filed March 24, 2020.

² Id.

³ PUC Order, GPA Docket 20-03, dated January 30, 2020.

⁴ Guam Power Authority Schedule “Z”, Levelized Energy Adjustment Clause (LEAC), Issued March 21, 1994, Revised March 31, 2012.

2020, is \$53.42/bbl. The project under-recovery is expected to decrease to zero by July 31, 2020.”⁵

6. The current under-recovery balance is about \$1M.⁶
7. In Resolution No. 2020-06, the Guam Consolidated Commission on Utilities approved GPA's request to set an Interim LEAC Factor Rate and authorized GPA to petition the PUC.⁷

ANALYSIS

8. CCU resolution No. 2020-08 recognizes that GPA may petition PUC for an Interim LEAC rate “if the over recovery balance is projected to exceed \$2 million during the six-month levelized period.⁸ GPA takes the position that its over-recovery balance will exceed \$2 million during the current six-month.
8. 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 March 26, 2020, meeting date.
9. GPA has submitted the Morgan Stanley Asian Morning Call fuel pricing for the five-day period of March 12, 2020, through March 18, 2020, indicating that fuel prices have fallen since the last LEAC factor was approved by the PUC, effective February 1, 2020.⁹
10. GPA has produced a chart in its filing: “LEAC Update—GPA Fuel Purchases (Per Barrel). That chart indicates that its price per barrel as of February 20, 2020, was \$55.47. The fuel price on March 20 was \$51.75, and the projected price by April 20, 2020 will be \$37.62.
11. It is evident that a reduction in the LEAC factor is warranted at the present time. Attached hereto as Exhibit A is GPA's calculation indicated that the LEAC Factor Should be changed to \$.110039/kWh for meters read on or after April 1, 2020.

⁵ GPA Petition, p. 1.

⁶ Guam Consolidated Commission on Utilities Resolution No. 2020-08, Authorizing the Management of the Guam Power Authority to Petition the Guam Public Utilities Commission for Interim Adjustment in the Levelized Energy Adjustment Clause, dated March 24, 2020.

⁷ Id.

⁸ Id.

⁹

RECOMMENDATION

12. The Administrative Law Judge recommends that PUC approve an Interim LEAC Factor of \$.110039/kWh for meters read on or after April 1, 2020.
13. Due to the brief period of time that the ALJ has had to review this matter, he cannot conclude whether a further reduction of the LEAC Factor is warranted.
14. According to GPA, a further drop in fuel prices per barrel of \$18 per barrel is expected by April 20, 2020.
15. GPA utilizes a system of "first in, first out" fuel usage. That means GPA is now still using fuel purchased at more expensive prices. However, the cost of its fuel will go down over the next few months due to the projected decrease in fuel prices and its use of less expensive layers of fuel.
16. Therefore, the PUC should leave this docket open and retain jurisdiction over the matter. It should reconsider an appropriate LEAC Factor at its meeting on April 30, 2020.
17. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 26th day of March, 2020.

Frederick J. Horecky
Chief Administrative Law Judge

Exhibit A

LEAC - Proposed

	Full Recovery Current Approved LEAC Rate Eff 2/01/2020	Full Recovery MS Pricing 03.12.20 to 03.18.20 Eff 04/01/20
2 Average Price per Bbl-RFO	\$ 59.14	\$ 53.42
2 Average Price per Bbl-Diesel	\$ 85.56	\$ 65.65
4 Number 6 (HSFO/LSFO)	\$ 57,722	\$ 35,338
5 Number 2 (Diesel)	33,131	13,956
6 Renewable (Solar)	5,575	3,960
7 TOTAL COST	\$ 96,428	\$ 53,255
8 Handling Costs	5,900	3,960
9 Total Current Fuel Expense	\$ 102,328	\$ 57,215
10 Civilian Allocation	81.62%	81.63%
11 LEAC Current Fuel Expense	\$ 83,519	\$ 46,698
12 Estimated DSM for this period	\$ -	\$ -
13 Deferred Fuel Expense at the beginning of the period	2,748	1,103
14 Total LEAC Expense	\$ 86,267	\$ 47,801
15 Less: Trans. Level Costs	(5,093)	(2,809)
16 Distribution Level Costs	\$ 81,175	\$ 44,992
17 Under recovery at the end of the period	\$ -	\$ -
18 Adjusted Distribution Level Costs	\$ 81,175	\$ 44,992
19 Distribution Level Sales (mWh)	603,646	408,873
20 LEAC Factor Distribution	0.134474	0.110039
21 Current LEAC Factor Distribution	0.154242	0.134474
22 Increase/(Decrease)	(0.01977)	(0.02443)
23 Monthly Increase/(Decrease) - 1000 kWh	\$ (19.77)	\$ (24.43)
24 % Increase/(Decrease) in LEAC	-12.82%	-18.17%
25 % Increase/(Decrease) in Total Bill	-7.94%	-10.67%
26 Discount (3%) - Primary 13.8 KV	\$ 0.130425	\$ 0.106727
27 Discount (4%) - 34.5 KV	\$ 0.130050	\$ 0.106420
28 Discount (5%) - 115 KV	\$ 0.128449	\$ 0.105110