

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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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, 2020¹, and the PUC Order dated March 26, 2020.²

BACKGROUND

2. On March 26, 2020, the PUC ordered an interim reduction in the LEAC Factor from \$.134474/kWh to \$.110039/kWh for meters read on or after April 1, 2020.³
3. However, since the GPA Petition to approve an Interim LEAC Factor was only filed with the PUC less than two days before the PUC Meeting, the ALJ recommended that the docket should be left open, and jurisdiction retained, so that PUC could reconsider an appropriate LEAC Factor at its meeting on April 30, 2020.⁴
4. At the meeting on March 26, 2020, GPA General Manager John Benavente requested that the PUC not reconsider the Interim LEAC Factor until its May Meeting.
5. In its Order, the PUC concurred with GM Benavente’s request and indicated that it would consider whether the LEAC Factor should be further reduced, due to declining fuel prices, at its May 28, 2020 Meeting.⁵

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

² PUC Order, GPA Docket 20-12, dated March 26, 2020.

³ Id., at p. 3.

⁴ ALJ Report, GPA Docket 20-12, filed March 26, 2020, at p. 3.

⁵ PUC Order, GPA Docket 20-12, dated March 26, 2020, at p. 3.

ANALYSIS

6. The issue before the PUC is whether it should further reduce the Interim LEAC Factor for the remaining two months of this LEAC period, June and July of 2020.
7. If one examines the current LEAC period, from February 1, 2020, to the present, there has been a nearly 50% reduction in the price of fuel.
8. GPA's own figures on pricing (per Barrel) indicate a near 50% in the reduction of fuel prices:

February-2020: \$55.47
April-2020: \$32.87
May-2020: \$30.48⁶

9. On or about May 18, 2020, GPA submitted an updated LEAC filing with the PUC. Such filing included a five-day pricing average by Morgan Stanley Asian Morning Call for both High Sulfur Fuel Oil and Diesel: the Singapore HSFO 180CST five-day average from May 11 through May 15, 2020 was \$157.19 per metric ton. For Gasoil 10 PPM the five-day average for the same period was \$33.79 per barrel.⁷
10. For the entire LEAC period to date, the Morgan Stanley pricing shows the following:

	January 30	March 31	May 11
SING HSF0 180CST	304.93	154.92	157.89
SING Gasoil 10 PPM	68.46	38.12	34.66 ⁸

11. The Morgan Stanley Morning Call Price Indications demonstrate a nearly 50% drop in fuel prices between February 1, 2020 and May 11, 2020. The figures also show that there was no substantial change in fuel prices between April 1, 2020 and May 11, 2020.
12. From the beginning of the current LEAC period, the PUC has reduced the LEAC Factor approximately 5 cents per kilowatt hour. Effective February 1, 2020, the PUC reduced the LEAC Factor charged to residential customers from \$.154242/kWh to

⁶ Email from GPA CFO John Kim to PUC ALJ Fred Horecky, LEAC Update-GPA Fuel Purchases (Per Barrel), May 18, 2020.

⁷ Id.

⁸ These prices are compiled from the Morgan Stanley Asia Morning Call Price Indications dated January 30, 2020, March 31, 2020, and May 11, 2020.

\$.131145/kWh.⁹ On March 26, 2020, the PUC reduced the LEAC Factor from \$.134474/kWh to \$.110039/kWh effective for meters read on or after April 1, 2020.¹⁰

13. If one were to accept a 50% reduction factor in LEAC since the beginning of February, the result would be a present LEAC Factor of \$.07621 (one-half of \$.154242). However, certain factors mitigate against full reduction to one half of the LEAC Factor.
14. The first is the "first in, first out principal" (FIFO). GPA uses older fuel purchases before newly purchase fuel. There is roughly a two-month lag between the time when GPA receives the less expensive fuel and when it uses such fuel. The second is that GPA also pays "premiums" on its fuel for shipping, etc. which are in addition to the market fuel prices. The third is that the LEAC factor includes some costs other than for fuel, such as renewable energy charges for the solar power produced by the Dan-Dan Plant, for fuel handling charges, and other charges.
15. GPA has filed a Petition requesting that the Fuel Recovery Factor be lowered from the current Factor, \$0.11039 to \$0.089177 for meters read on or after June 1, 2020.¹¹
16. Previously GPA proposed an Option whereby the LEAC would be lowered to \$0.086800 (including DSM) effective August 1, 2020.¹² A Billing Illustration filed also indicated a Fuel Recovery Charge of \$0.83691 (without DSM) effective June 1, 2020.¹³
17. The ALJ believes that the LEAC should be lowered to \$0.086800, effective June 1, 2020.
18. Previously, the LEAC Factor set effective April 1, 2020, \$0.11039, was based upon an average price per barrel of RFO of \$53.42.¹⁴ That Factor will still be in effect until June 1. However, that Fuel Factor is too high. On or about April 21, 2020, there was a drastic reduction in fuel prices. Prices per metric ton of Sing 180CST fell from \$159.45 on April 16 to \$114.62 on April 27.¹⁵

⁹ PUC Order, GPA Docket 20-03, dated January 30, 2020, at p. 5.

¹⁰ PUC Order, GPA Docket 20-12, dated March 26, 2020.

¹¹ GPA Interim LEAC Filing and LEAC Filing, GPA Docket 20-13, dated May 22, 2020; see Exhibit "1" attached hereto.

¹² Email from GPA CFO John Kim to PUC ALJ Fred Horecky, LEAC - Proposed, May 18, 2020.

¹³ Id., LEAC-Billing Illustration; attached as Exhibit "2" hereto.

¹⁴ ALJ Report, GPA Docket 20-12, dated March 26, 2020, Exhibit A.

¹⁵ These prices are compiled from the Morgan Stanley Asia Morning Call Price Indications dated April 16, 2020, and April 27, 2020.

19. GPA has recently been purchasing fuel at a far lower rate than the current average price per barrel of RFO of \$53.42 upon which the LEAC Factor is based.
20. GPA GM John Benavente indicated in early May that a fuel shipment of 260,000 barrels had arrived at a price of \$31 per barrel.¹⁶ Another shipment price arrived around May 21 at a price of \$37 per barrel.¹⁷
21. Because of the economic hardships being experienced by many of GPA's customers during the COVID19 crisis, it is particularly important at the present time to lower the LEAC as much as possible. As CCU Commissioner Simon Sanchez has stated: "...people will need as much help as soon as possible...Every penny we can save the ratepayer now ...would be greatly appreciated."¹⁸
22. Ratepayers should benefit from the sharp reductions in fuel prices for the months of June and July.
23. The recommended LEAC Factor of \$0.086800 will only be in effect for the months of June and July. That Factor includes an additional rate for establishing the funding source for the Demand Side Management Program, provided for in GPA Docket 20-06. The rate for DSM funding itself is \$0.003109 per kWh, which would provide roughly \$1.5M for a six-month period.
24. In July of this year, the PUC will then consider the appropriate LEAC Factor for the period of July 1, 2020, through January 30, 2021. At that time there will be a true-up to determine if the LEAC Factor was appropriately set during this current LEAC period and resulted in an under or over recovery. Based upon such determination, the LEAC Factor will then be set for the next six- month period.
25. The reduction of the LEAC Factor to \$0.086800 results in a decrease of 23.94% in the LEAC rate of the average Residential Customer, and a decrease in the total bill of the average residential customer of 12.88%.

RECOMMENDATION

26. The Administrative Law Judge recommends that PUC approve an Interim LEAC Factor of \$0.086800 /per kWh for meters read on or after June 1, 2020.

¹⁶ The Guam Post, May 11, 2020, at p. 6.

¹⁷ The Guam Daily Post, May 22, 2020.

¹⁸ Pacific Sunday News, May 24, 2020, at pgs. 1 and 4.

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

Dated this 26th day of May, 2020.

Frederick J. Horecky
Chief Administrative Law Judge

GPA

Proposed LEAC Rate (\$000)

Full Recovery	
MS Pricing 05.04.20 to 05.11.20 Jun 20- Jan 21	
Average Price per Bbl-RFO	\$ 38.42
Average Price per Bbl-Diesel	\$ 51.01
Number 6 (HSFO/LSFO)	\$ 49,038
Number 2 (Diesel)	26,876
Renewable (Solar)	7,613
TOTAL COST	\$ 83,527
Handling Costs	8,003
Total Current Fuel Expense	\$ 91,530
Civilian Allocation	80.97%
LEAC Current Fuel Expense	\$ 74,108
Estimated DSM for this period	\$ -
Deferred Fuel Expense at the beginning of the period	1,237
Total LEAC Expense	\$ 75,345
Less: Trans. Level Costs	(4,094)
Distribution Level Costs	\$ 71,251
Over recovery at the end of the period	\$ -
Adjusted Distribution Level Costs	\$ 71,251
Distribution Level Sales (mWh)	798,988
LEAC Factor Distribution	0.089177
Current LEAC Factor Distribution	0.114961
Increase/(Decrease)	(0.02578)
Monthly Increase/(Decrease) - 1000 kWh	\$ (25.78)
% Increase/(Decrease) in LEAC	-22.43%
% Increase/(Decrease) in Total Bill	-12.30%
Discount (3%) - Primary 13.8 KV	\$ 0.086506
Discount (4%) - 34.5 KV	\$ 0.086256
Discount (5%) - 115 KV	\$ 0.085195

Ex. 1

LEAC – Billing Illustration

	RATE SCHEDULE R					
	Existing Rate		Option A		Option B	
			Eff 06-01-20		Eff 06-01-20	
KWH		1,000	1,000	1,000	1,000	1,000
Monthly Charge	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00
Non-Fuel Energy Charge						
First 500 KWH	0.069550	0.069550	0.069550	0.069550	0.069550	0.069550
Over 500 KWH	0.086870	0.086870	0.086870	0.086870	0.086870	0.086870
Emergency Water-well charge	0.002790	1.40	0.002790	1.40	0.002790	1.40
Total Electric Charge before Fuel Recovery Charges		94.62		94.61		94.61
Fuel Recovery Charge	0.110039	110.04	0.083691	83.69	0.089177	89.18
Total Electric Charge		<u>\$ 204.66</u>		<u>\$ 178.30</u>		<u>\$ 183.78</u>
Increase/(Decrease) in Total Bill				<u>\$ (26.36)</u>		<u>\$ (20.88)</u>
% Increase/(Decrease) in Total Bill				-12.88%		-10.20%
% Increase/(Decrease) in LEAC rate				-23.94%		-18.96%

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