

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

**GUAM POWER AUTHORITY
LEVELIZED ENERGY ADJUSTMENT
CLAUSE [LEAC]**

GPA DOCKET 13-06

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 14, 2013, to the PUC.¹ GPA requested that the Levelized Energy Adjustment Clause Factor ["LEAC"], for the six-month period commencing August 1, 2013, be decreased from \$.20927/kWh to \$.19006/kWh effective for meters read on or after August 1, 2013.² This decrease in the LEAC factor represents a 6.6% decrease in the total bill, or a \$19.21 decrease for a residential customer utilizing an average of 1,000 kilowatt hours per month.³

The basis for the LEAC filing is that there has been a decrease in fuel prices from \$104.34/bbl to approximately \$94.54/bbl, which represents a decrease in fuel costs from the prior LEAC period. However, GPA represents that such decrease is somewhat offset by the increased blending costs for the fuel supply contract which will lead to an increase in fuel costs of approximately 10%. Also, GPA forecasts an increase use of diesel fuel because Cabras 3 will still be unavailable during the upcoming LEAC period.⁴

GPA further requests an extension of the Working Capital Fund Surcharge of \$0.00778/kWh and \$179,152.00/month for the Navy. The WCF Surcharge adjustment is based upon the calculation of the additional WCF requirement as a result of the change in the FY14 Fuel Costs budget. GPA proposes to amortize this amount over three months, effective August 1, 2013 through October 31, 2013.⁵

On June 4, 2013, the Guam Consolidated Commission on Utilities, in Resolution No. 2013-32, Authorized GPA Management to Petition the PUC for the decrease

¹ GPA LEAC Filing, GPA Docket 13-06, filed June 14, 2013.

² Id.

³ Id.

⁴ Id.

⁵ Letter from Joaquin C. Flores, GM, to Frederick J. Horecky, ALJ, dated June 14, 2013, Re: Levelized Energy Adjustment Clause Petition for the Period August 1, 2013 through January 31, 2014, GPA Docket 13-06 LEAC at p. 2.

in the LEAC for the period August 1, 2013 – January 31, 2014 as set forth in GPA’s Petition.⁶ The Resolution indicates that the FY14 Fuel Cost Budget is \$326.9M, representing an increase of \$10.3M (related to fuel) from FY13. This projected increase creates an additional requirement in the Working Capital Fund of \$855,000, to be recovered through the WCF surcharge.⁷ In its Petition, GPA has submitted supporting documents to justify additional O&M costs for its fuel tank farm management, the Fuel Supply contract extension with Petrobras and the Line of Credit facility with ANZ Bank.⁸ The additional costs for the Fuel Tank major maintenance total \$388,500. They include piping upgrades, tank repainting, systematic tank gauging (ATG) system, and Fire Fighting Equipment Upgrade.⁹

On July 5, 2013, PUC Counsel requested that GPA provide PUC with an update on the Morgan Stanley RFO prices for a determination as to whether there had been any changes in such prices since the filing by GPA of its LEAC Filing.¹⁰ Counsel also requested that GPA provide updated figures showing the impact of the newly approved RFO Supply Contract with Hyundai Corporation upon the LEAC Factor. Counsel’s request was prompted by the fact that, after the Consolidated Commission on Utilities approved the new RFO Contract with Hyundai on June 25, 2013, various GPA officials, including the Chairman of the CCU, General Manager, and the Public Information Officer announced that, as a result of lower prices in the new Contract, there would be a further reduction in the LEAC Factor.¹¹

On July 16, 2013, GPA provided an updated LEAC analysis: (a) showing the updated Morgan Stanley call dated July 15, 2013; (b) updating the values to reflect actual amounts for May and June 2013; and (c) updating the fuel premiums for August 2013 through January 2014 based on the new fuel supply contract and the new pipeline fees and storage fees effective September 1, 2013. GPA’s updated analysis is attached hereto as Exhibit “1” and incorporated herein by reference.¹²

⁶ CCU Resolution No. 2013-32, issued June 4, 2013.

⁷ Id.

⁸ See Attachment VI to the Petition.

⁹ Id.

¹⁰ Email from PUC Counsel to GPA Assistant Chief Financial Officer, GPA Docket 13-06, dated July 5, 2013.

¹¹ “CCU authorizes new fuel oil contract, selects Hyundai; with new contract, fuel surcharge may go down”, Marianas Variety Guam Edition, June 26, 2013, at p 2; “Power Bills could drop by 9 percent”, Gam Pacific Daily News, June 26, 2013, at p. 2.

¹² See Exhibit “1” attached hereto.

As a result of the updated GPA analysis, the LEAC Factor for the six-month period commencing August 1, 2013, is decreased further from \$.19006/kWh to \$.182054/kWh effective for meters read on or after August 1, 2013. This decrease in the LEAC factor represents a 9.3% decrease in the total bill, or a \$27.22 decrease for a residential customer utilizing an average of 1,000 kilowatt hours per month.¹³ There is also a reduction in the transmission and distribution delivery classifications.¹⁴

GPA also provided an updated analysis of the Working Capital Fund Requirement-Fuel Portion.¹⁵ The Working Capital Fund Requirement-Fuel Portion is attached hereto and incorporated herein by reference as Exhibit "2".¹⁶ Instead of the three month extension of the existing WCF Surcharge requested in the original LEAC filing, GPA now proposes to collect the additional WCF requirement resulting from the increase in the FY14 Fuel Costs budget amount over one month, effective August 1, 2013 through August 31, 2013. The increase in the Working Capital Fund Requirement for the FY14 Fuel budget is now anticipated to be \$324,083 rather than the \$855,250 previously projected.¹⁷ The reduction in the projected increase is due to the lower fuel premium charges in the Hyundai RFO Supply Contract.

Chairman Jeffrey C. Johnson has submitted a Report. In accordance with the updated GPA analyses contained in Exhibits "1" and "2", he recommends that the PUC approve a decrease in the LEAC factor from the current \$.20927/kWh to \$.182054/kWh effective on all meters read on or after August 1, 2013.¹⁸ The transmission and distribution delivery classifications should be reduced in accordance with Exhibit "1". Finally, the WCF Surcharge should be extended for one month, effective August 1, 2013 through August 31, 2013, to recover the increase in the Working Capital Fund Requirement-Fuel Portion caused by the increase in fuel premiums and other costs in the FY14 Fuel budget.¹⁹

After carefully reviewing the record in this proceeding, and after discussion and a duly noticed public meeting held on July 30, 2013, for good cause shown and

¹³ Id., Proposed LEAC Rate effective 8/1/13.

¹⁴ Id.

¹⁵ Email from Assistant Chief Financial Officer to PUC Counsel, GPA Docket 13-06, dated July 17, 2013.

¹⁶ See Exhibit "2" attached hereto.

¹⁷ Id; see also GPA LEAC Filing, GPA Docket 13-06, filed June 14, 2013, Attachment IX.

¹⁸ Report of Chairman Jeffrey C. Johnson Re: LEAC and Petition dated June 14, 2013.

¹⁹ Id.

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, 2013, as shown in the following table:

<u>Delivery Classification</u>	<u>LEAC \$ per kWh</u>
Secondary -	\$ 0.182054
Primary - 13.8 KV	\$ 0.174100
Primary - 34.5 KV	\$ 0.173359
Transmission - 115 KV	\$ 0.170204

This change represents a 9.3% decrease in the total bill for a residential customer utilizing an average of 1,000 kilowatt hours per month (\$27.22 per month) and a 13.0% decrease from the current LEAC rate.

2. GPA should file for a change in the LEAC factors to be effective February 1, 2013 on or before December 15, 2013.
3. As requested by GPA, the Working Capital Fund Surcharge of \$0.00778 per kWh for civilian customers and the monthly fixed charge of \$179,152 for Navy will be extended. GPA shall be permitted to recover the increase in the Working Capital Fund Requirement-Fuel Portion caused by the increase in fuel premiums and other costs in the FY14 Fuel budget by collecting said amount for one month, effective August 1, 2013 through August 31, 2013.
4. GPA shall not be required to conduct an audit of its fuel oil procurement functions. On June 5, 2013, in GPA Docket 12-13, LEAC, GPA submitted its Position on a Focus Management Audit of Fuel Procurements. On June 17, 2013, Administrative Law Judge in this matter issued a letter to GPA finding that GPA had made progress in improving the efficiency of its fuel procurement process. In addition, based upon GPA's proposed use of other energy sources such as LNG there could be changes to GPA's present fuel procurement process. PUC retains the right to require GPA to conduct a Focus Management Audit of its Fuel Oil Procurement at a later time, if necessary and justified. The PUC adopts the ALJ's recommendation.

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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 §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 30th day of July, 2013.

Jeffrey C. Johnson
Chairman

Rowena E. Perez
Commissioner

Joseph M. McDonald
Commissioner

Michael A. Pangelinan
Commissioner

Peter Montinola
Commissioner