January 26, 2014

Fred Horecky, ESQ

Guam Public Utilities Commission
Suite 207, GCIC Building
414 W. Soledad Avenue
Hagatna, Guam, 96910

Dear Mr. Horecky:

Re: Report on the review of the proposed LEAC adjustment under GPA Docket No. 14-03

Slater, Nakamura & Co, LLC is pleased to present its report on the review of the proposed LEAC adjustment by the Guam Power Authority. The review was conducted under the Public Utilities Commission (Commission) Docket GPA 14-03.

In the filing, GPA requested to decrease the Fuel Recovery Factor from $.182054/kWh to $.179157/kWh effective for meters read on or after February 1, 2014. The change reflects a decrease in the LEAC factor which represents a 1.0% decrease in the total bill or a $2.91 decrease for a residential customer utilizing an average of 1,000 kilowatt hours per month. In addition, there is a forecast of the Working Capital Fund Requirement to stay the same, so there will not be a change in the Working Capital surcharge for the period February 1, 2014 through July 31, 2013.

The basis for the LEAC filing is that there has been a slight decrease in actual fuel prices (compared with previously forecasted prices) from the prior LEAAC period, and that the Cabras Unit #3 came online in September 2013. Included in the total fuel handling costs are the PMO services for the IRP implementation, including LNG feasibility work, in the amount of $1.95 million for the current LEAC period.

The results of our review are contained in the attached report.

We would like to thank Mr. Weigand and Ms. Fejarang for their prompt responses to our numerous requests for supporting documentation.

Sincerely,

Roger D. Slater

Managing Partner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

The Guam Power Authority (GPA)	)
GPA Docket 14-03	)
Request for PUC Investigation	)
for a LEAC adjustment	)

Report on the Investigation of the Request for a LEAC Adjustment

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For Guam Public Utilities Commission

GPA Docket 14-03

January 26, 2014

Revision History

Version	Changed By	Date	Revision Description
Draft	J. Steadley	01/02/2014	Completed framework and initial draft
Revision 1	A. Finder	01/16/2014	Completed draft report
Rev 2	A.Finder and J. Steadley	01/19/2014	Final draft
Rev 3	Alan Finder and J. Steadley	01/26/2014	Revision based upon discussion with ALJ

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1.0 EXECUTIVE SUMMARY

Overview

On December 16, 2013, the Guam Power Authority (GPA) requested from the Guam Public Utilities Commission (Commission) an adjustment to their current LEAC.

In the filing, GPA requested to decrease the Fuel Recovery Factor from $.182054/kWh to $.179157/kWh effective for meters read on or after February 1, 2014. The change reflects a decrease in the LEAC factor which represents a 1.0% decrease in the total bill or a $2.91 decrease for a residential customer utilizing an average of 1,000 kilowatt hours per month. In addition, there is a forecast of the Working Capital Fund Requirement to stay the same, so there will not be a change in the Working Capital surcharge for the period February 1, 2014 through July 31, 2013.

The basis for the LEAC filing is the slight decrease in actual fuel prices (compared with previously forecasted prices) from the prior LEAC period, and that the Cabras Unit #3 came online in September 2013. Included in the total fuel handling costs are the PMO services for the IRP implementation, including LNG feasibility work, in the amount of $1.95 million for the current LEAC period.

As the Commission's Consultants; Slater, Nakamura &Co LLC undertook an investigation of the LEAC adjustment request.

Our investigation analyzed the following areas:

- Derivation of required generation based on sales, plant use, losses and company use.
- Key actual and projected results for fuel and fuel handling expenses.
- Fuel Handling expense details.
- Consistency with previously filed data.
- Transparency of expense details.
- Consistency of request with LEAC design principles from previous Commission decisions on professional fees for LNG and fuel tank farm maintenance.

Based on the analysis, we conclude that GPA's proposed LEAC Factor is overstated by about $6.82 per mWh on an undiscounted basis. Our updated results translate into:

- LEAC factor of $0.172314 per kWh for a Secondary (13.8 kV) customer
- A bill reduction of $9.74 – or 3.52% – for a typical residential customer using 1,000 kWh per month

The amount of the overstatement is shown in the "Difference" column of Table 1 below which displays the amounts proposed by GPA and those estimated by the Commission's Consultant using:

- The company's updated results for the Reconciliation period provided in an updated response to our data request Set #2
- The revised fuel forecast (for the months of January 2014 through July 2014) in both the Reconciliation and Forecast periods
- The Commission's conditionally approved level of LNG Consultancy fee

After incorporating these changes, GPA's original request and our recommended change are displayed in Table 1:

Table 1: Forecast period (2/2014 – 7/2014) – Impact of Proposed Recommendation

Data Element	GPA Request	Revised	Difference
Proposed Rate without discount ($/mWh)	$ 178.7652	$171.9371	($ 6.8281)
Proposed discounted rates ($/kWh)			
Secondary - 13.8 KV	$0.179157	$0.172314	($ 0.00684)
Primary - 13.8 KV	$0.172308	$0.165727	($ 0.00658)
34.5 KV	$0.171669	$0.165112	($ 0.00656)
115 KV	$0.168945	$0.162492	($ 0.00645)

The reason for the difference is caused by:

- Accepting GPA updates, as of 1/24/2014,to a full set of actuals in the month of November 2013 and a partial set of actuals for the month of December 2013 during the Reconciliation period provided with GPA's update of its responses to the Consultant's data request Set #2
- Accepting GPA updates – as of 1/24/2014 – to revised estimates for fuel handling expenses in January 2014
- Adopting the updated Morgan Stanley fuel price forecast
- Using the amount for Professional Fee for LNG Consultancy conditionally approved in the Order for Docket 14-02.

We recognize that GPA may also present additional actual data for December that will need to be incorporated into the analysis supporting the Commission's order on the LEAC Factor for the upcoming six months ("Forecast period"). The revisions underlying the calculations in Table 1 will need to be factored into GPA's update so that these revisions and GPA's can be reflected in the Commission's order.

Findings

- The new undiscounted LEAC factor, once updated to include the latest Morgan Stanley fuel forecast and the conditionally approved LNG Consultancy Fee, can be reduced by $6.83 per mWh to $171.9371 per mWh instead of the $178.7652 per mWh proposed by GPA.
- The new LEAC rate to secondary customers, once updated to include the latest Morgan Stanley fuel forecast and the conditionally approved LNG Consultancy Fee, can be reduced by $0.00684 per kWh to $0.172314 per kWh instead of the $0.179157 per kWh proposed by GPA.
- Except for the forecasted growth rate in sales, the Commission's Consultant found all charges in the Reconciliation period to be fully supported by a combination of what was included in the filing and materials provided by GPA in response to data requests.
- In the Reconciliation period, as of January 24, 2014, GPA has not updated its results to reflect the updated Morgan Stanley fuel price forecast.
- In the Reconciliation period, as of January 24, 2014, GPA has updated results to reflect actual data on fuel expenses for November 2013 and fuel handling expenses for November and December 2013.
- In the Reconciliation period, as of January 24, 2014, GPA has updated results to reflect a revised level of estimated fuel handling expenses for January 2014.
- In the Forecast period, GPA did not update its fuel costs to reflect the latest Morgan Stanley forecast and the LNG Conversion Fee to the conditionally approved levels in the Commission Order in Docket 14-02.
- The inclusion of the Fuel Tank Farm Maintenance Fee in the LEAC factor is consistent with prior Commission orders, but we are unable to assess whether the Commission has directly addressed the implication that in accepting these costs it has implicitly expanded the LEAC to include capital items.
- As the Commission noted in its Order in Docket 14-02 the inclusion of capital items is not consistent with the express purpose of the LEAC.
- Based on what GPA filed in Docket 14-03 and responses to Data Requests, GPA is not compliant with the Commission's requirement to justify the LNG Consultancy fee.
- GPA relied on an SAIC energy forecast when preparing its forecast of Fiscal 2014 sales. The filing did not include any reference to the forecast.
- Recent contractual amendments that have been approved by the Commission are contributing to significant increases in fuel handling (approximately 167% relative to the previous LEAC request) during the Reconciliation period and are diminishing the impact of declines in fuel prices.
- GPA did not include any justification of Professional Fees for LNG consultancy, and the filed request is based on a different number than the Commission conditionally approved in its Order for Docket 14-02. Given that

the Commission Order occurred after filing, it is understandable that GPA's filing is not compliant with an Order that was issued after the filing. Had GPA revised its filing, it would have caused an even larger reduction in the LEAC Factor than proposed by GPA.

Recommendations

- The approved LEAC factor, on an undiscounted basis, be reduced by $9.88 per mWh to $168.8895 per mWh instead of the $178.7652 per mWh proposed by GPA. By this action the Commission will revise the LEAC from the level originally proposed by GPA.
- The GPA establish sufficient accounting records to permit refund of "Professional Fees for LNG".
- The Commission establish refund procedures in a separate docket to fulfill requirements of its Order in Docket 14-02 in the event that it needs to order a refund of the conditionally approved LNG Consulting Fee if it includes the Fee in the LEAC factor calculations.
- The professional fees for LNG in the Forecast period be reduced to $1,022,500 pending submission of proper support justifying the expenditure in time for filing in the Reconciliation period for the next LEAC Filing.
- The forecasted fuel prices in calculating the LEAC Factor be revised to reflect the January Morgan Stanley forecast.
- The Commission will include language in its Order in Docket 14-03 articulating why these expenditures related to the Fuel Tank Farm Maintenance – considered by GPA to be Expenditure classification for capital improvement projects – qualify as non-capital expenditures to be included in LEAC.

2.0 BACKGROUND

In this section is presented information related to the background for the LEAC investigation

On December 16, 2013, the Guam Power Authority (GPA) requested from the Guam Public Utilities Commission (Commission) an adjustment to their current LEAC.

In the filing, GPA requested to decrease the Fuel Recovery Factor from for secondary metered customers from $0.182054/kWh to $0.179157/kWh effective for meters read on or after February 1, 2014. The change reflects a decrease in the LEAC factor which represents a 1.0% decrease in the total bill or a $2.91 decrease for a residential customer utilizing an average of 1,000 kilowatt hours per month. In addition, there is a forecast of the Working Capital Fund Requirement to stay the same, so there will not be a change in the Working Capital surcharge for the period February 1, 2014 through July 31, 2013.

GPA has requested a decrease in the LEAC of 1% due to lower fuel costs and Cabras Unit #3 coming online in September 2013

The stated basis for the LEAC filing is a slight decrease in actual fuel prices (compared with previously forecasted prices) from the prior LEAC period, and that the Cabras Unit #3 came online in September 2013. Included in the total fuel handling costs are the PMO services for the IRP implementation, including LNG feasibility work, in the amount of $1.95 million for the current LEAC period.

Under the direction of the Commission, GPA is required to recalculate the LEAC Factor semi-annually for a six month period. The relevant period for the most recent filing is February 1 through July 31, 2014. The LEAC Factor is subject to the approval of the Commission. 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, excluding net revenues from the Navy under the Customer Agreement, the Fuel Factor may be adjusted to recover such deficit, subject to Commission approval.

In calculating the LEAC Factor for the next six-month period, the GPA prepares 12 months of data that represents two time-periods:

- A Reconciliation period, consisting of six-months that were approved by the Commission as a Forecast period in the previous LEAC proceeding. Data for the Reconciliation period consist of a mix of actual and estimated information.
- A Forecast period, consisting of upcoming six-months when the new LEAC factor will be in effect once approved by the Commission.

The process used by GPA to determine the appropriate factor is:

- During the Reconciliation period, GPA evaluates the difference between previously approved and updated GPA levels of fuel prices and fuel handling

expenses. Depending on the data being tracked, the updated levels will reflect actual data if available and re-estimated data for any data that are not already recorded on GPA's books. Any monthly difference (positive, implying an over-recovery, or negative, implying an under-recovery of LEAC costs), between the previously approved and GPA updated levels, is added to the Opening Recovery Balance. Once added to the Opening Recovery Balance, the end result for a month is recorded as the Closing Recovery Balance. The closing balance of the last month of the Reconciliation period is carried over to the starting balance of the first month of the Forecast period for the six-months going forward from expected approval.

GPA's LEAC factor review process includes both actual and forecasted data

- During the Forecast period, GPA projects fuel prices, fuel handling costs and system dispatch for six months going forward from expected approval.
- GPA adds a working capital allowance to both components.
- For all months of the Forecast period and those months of the Reconciliation period for which actual data are not available, sales to customers is grossed-up (increased) to reflect company use, system transmission and distribution losses and plant usage to estimate generation (in megawatt hours, or "mWh") and fuel (in barrels) that are required at the plants' busbars (the point at which the net output of a plant enters the switchyard to be transferred to the transmission system).
- Rate impact is assessed based on system losses and discounts appropriate for the voltage at which different customer classes receive service.

KEY RESULTS FROM FILING IN DOCKET 14-03

In the current filing, GPA submitted data that, on a net basis, reduces the secondary customer LEAC rate by $0.002897 per kilowatt hour ("kWh") in two steps:

- A reduction of $0.005124 in the Reconciliation period compared with the current LEAC.
- An increase of $0.002227 in the Forecast period.

Table 2 below shows the details for each period:

Table 2: Comparison of LEAC Factor between Dockets 13-06 and 14-03

Secondary LEAC Rate by Docket and Period ($/kWh)

Ordered in Docket 13-06	Proposed in Docket 14-03		Net change from Docket 13-06
Forecast 08/13 – 01/14	Reconciliation 08/13 – 01/14	Forecast 02/14 – 07/14	
$0.182054	$0.176930	$0.179157	($ 0.002897)

During the Reconciliation period, the availability of updated information for actual and estimated data would permit a reduction in the undiscounted LEAC rate from the level previously ordered in Docket 13-06. The principal drivers for the Reconciliation period reduction are summarized in Table 3:

Table 3: Reconciliation Period (8/2013 – 1/2014) – Difference from Commission Order

Data Item	Source		Difference
	Commission Order[1]	Current Filing[2]	
Generation in mWh			
Civilian	693,265	679,991	(13,274)
Navy	194,326	193,515	(811)
Civilian Percentage (based on generation share)	78.106%	77.846%	-0.260%
Civilian Sales in mWh	608,447	609,248	801
At Transmission Level	35,050	35,847	797
At 13.8 kV Level	573,397	573,402	5
Fuel Cost Recovery			
At Transmission Level	$6,091,629	$6,232,067	$140,438
At 13.8 kV Level	$104,388,973	$104,036,699	($352,274)
Both segments combined	$110,480,602	$110,268,766	($211,836)
Civilian Costs	$114,533,518	$112,872,385	($1,661,133)
Closing Recovery Balance	($0)	($2,760,614)	($2,760,614)
Proposed Secondary Rate ($/kWh)	$0.182054	$0.179157	($0.002897)

Notes:

1. See Schedule 1 in ***GPA Docket 13-06 Order***.
2. See Schedule 1 in Attachments I of ***GPA Docket No 14-03, LEAC Filing***

The LEAC is designed to pass this gross reduction to customers. By design, the decrease flows through the Closing Recovery Balance (Line 29, Schedule 1 in Attachment I). From there, it flows into the data for the Forecast

period. We understand that GPA will also revise the current LEAC filing to update it for actual data in November and December 2013.

In the Forecast period, GPA flowed through the Reconciliation period reduction and estimated the LEAC factor. In Table 4 is presented a comparison in key results between the Reconciliation period and the Forecast period:

Table 4: Forecast period (2/2014 – 7/2014) – Difference from Reconciliation period

Data Item	Proposed by GPA during:		Difference
	Reconciliation[1]	Forecast[2]	
Generation in mWh			
Civilian	679,991	668,188	(11,803)
Navy	193,515	188,577	(4,938)
Civilian Percentage (based on generation share)	77.846%	77.990%	0.046%
Civilian Sales Total (in mWh)	609,248	594,974	(14,274)
At Transmission Level	35,847	32,892	(2,955)
At 13.8 kV Level	573,402	562,082	(11,320)
Fuel Cost Recovery			
At Transmission Level	$6,232,067	$5,969,616	($262,451)
At 13.8 kV Level	$104,036,699	$100,700,992	($3,335,707)
Both segments combined	$110,268,766	$106,670,608	($3,598,158)
Civilian Costs	$112,872,385	$109,121,222	($3,751,163)
Closing Recovery Balance	($2,603,619)	($0)	$2,603,619
Proposed Secondary Rate ($/kwh)	$0.176930	$0.179157	$0.002227

Notes:

1. See Schedule 1 of Attachment I in ***GPA Docket No 14-03, LEAC Filing*** and Table 2 of this report.
2. See Schedule 1 of Attachment II in ***GPA Docket No 14-03, LEAC Filing***

Looking across the two periods, declines in required generation, fuel cost recovery, and fuel along with fuel handling expenses are working together to motivate first a decline in the LEAC factor during the Reconciliation period followed by a smaller increase during the Forecast period.

PURPOSE OF THIS REVIEW

The purpose of the investigation is to determine if the requested level of the recovery factor is a basis for "just and reasonable" rates. To be "just and reasonable", the data supplied by GPA need to reflects a reasonable

reconciliation, between previously forecasted and recently assessed fuel costs, for the current period and fully projected requirements of GPA for the six-months going forward from expected approval by the Commission.

3.0 ANALYSIS SECTION

This section presents the analysis of the LEAC request.

OVERVIEW OF THE ANALYSIS

The analysis focuses on two major questions:

- Is GPA's filing a basis for just and reasonable rates?
- Should the Commission adopt GPA's estimate of the LEAC factor for the next six-month period?

To answer these questions, we reviewed:

- Consistency of GPA's data with previous LEAC filings with respect to:
  - Sales, system loss factors and required generation and its dispatch. This included any Commission requirements and consistency with GPA records.
  - Actual and estimated fuel and fuel handling expenditures.
  - Estimated labor charges with actual data submitted by GPA in current and previous filings.
- Consistency with Regulatory Policy, comprised of:
  - The extent to which newly proposed expenditures arise from contracts accepted by the Commission in previous orders.
  - Newly-approved expenditures authorized in the recent Commission Order in Docket 14-02.
  - Appropriate explanation and justification for newly-proposed fuel handling expenses.

The results of the review were then used to determine if:

- GPA's proposed LEAC factor needs to be adjusted to reflect an improved estimate of any of the supporting data. GPA needs to provide any additional data to support a justification for new expenditures that GPA has not previously requested to be included in the LEAC Factor.
- Any of GPA's LEAC calculations are inconsistent with the Commission's ordered design or regulatory principles.
- Any additional analyses or presentational changes that GPA needs to provide in future LEAC filings.

Consistency with Previous Filings

To start our analysis, we focused first on Reconciliation period information relative to the values submitted and approved by the Commission in GPA Docket 13-06.

Sales, Generation and Data

We turned first to the forecast of sales that drives estimates of required generation. GPA prepared generation and sales data using the same approach that has been deployed for the past four or more years. For any period in which actual data are not available, the analysis started with sales over the previous fiscal year and builds up generation using loss factors that

have been in place for at least four (and possibly more) years. These data are displayed in Schedule 10 of GPA's filing for both the Reconciliation and Forecast periods[1].

Based upon a review of the presented data, it was confirmed that the derivation of generation is consistent with the previously used method.

GPA presented in Schedule 1 of Attachment I Civilian sales for Fiscal 2013 without any detailed support. We verified from data provided in the data request response that GPA relied on Fiscal Year 2013 sales data for Navy sales for the months of August through September 2013. We also verified that GPA used Fiscal 2014 sales estimates to calculate:

The sales forecast data provided by GPA did not require any changes.

- Civilian sales from December 2013 onward.
- Navy sales from October 2013 onward.

To derive Civilian and Navy sales for Fiscal 2014, GPA increased Fiscal 2013 sales based on an SAIC[2] forecasted annual energy growth rate of:

- 0.1% for Civilian sales.
- 0.8% for Navy sales.

We do not propose any changes in the sales forecast in our recommendations[3].

We also conducted a high level review of the proposed dispatch of units to support required generation. Because GPA's consumption of Number 6 Oil represents the overwhelming majority of fuel costs, we reviewed the dispatch of units burning Number 6. Based on a simple review during the Reconciliation period of capacity factors and fuel costs per mWh for the units, the rank order of the capacity factors is in line with the least cost rank order of units.

Fuel and Fuel-handling Expenditures

In the Reconciliation period, GPA estimated a net decrease of $2.1 million compared with its previous LEAC filing in Docket 13-11. Fuel expenses declined by $3.3 million but were offset by $1.18 million in fuel handling expenses. These differences between the previous Commission Order and

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[1] See "Schedule 10" in Attachments I and II of ***GPA Docket No 14-03, LEAC Filing***

[2] See GPA response to "Question 5" in ***GPA Docket 14-03 GPA Responses: Set #3*** (filename ***GPA Docket 14-03_Questions_Set 3_011414_Final.doc***). See also "Exhibit 2 - GPA 2013 Load Forecast", R.W. Beck 01/16/2014 (provided as an attachment to response to "Question 5" cited in this footnote and contained in file ***GPA 2013 Load Forecast_Export 20130304.pdf)***

[3] We received a copy of the SAIC results (as cited by GPA in its response), but we were unable to review the underlying study because we were unaware of its existence until GPA informed us of it in response to another data request.

the Reconciliation period of the current filing are presented in the following table:

Table 5: Reconciliation period (8/2013 – 1/2014) – Major Expense Element Differences

Data Item	Source		Difference
	Commission Order[1]	Current Filing[2]	
Number 6 (HSFO/LSFO)	$141,596,614	$138,802,327	($2,794,287)
Number 2 (GPA)	$4,263,987	$3,747,601	($516,386)
Handling Costs	$777,213	$1,957,579	$1,180,366
All costs combined	$146,637,814	$144,507,507	($2,130,307)

Notes:

1. ***GPA Docket 13-06 Order***, July 30, 2013, "Proposed LEAC Rate", "Handling Cost" line
2. See "Handling Cost" line of "Schedule 1" in Attachment I of ***GPA Docket No 14-03, LEAC Filing***

The drivers for both types of oil are explained by GPA in its various schedules submitted with the LEAC filing. The items causing a change in Handling Costs in the Reconciliation period, as compared with the amount included in the forecasted levels in the previous LEAC proceeding Order, require additional details to understand the drivers for the $1.12 million increase in comparison with amounts included in the previous LEAC proceeding Order for the Forecast period.

Table 6: Reconciliation period (8/2013 – 1/2014) – Major Handling Cost Differences

Data Item	Source		Difference
	Commission Order[1]	Current Filing[2]	
Total Dock Fee – Tristar	$775,259	$634,458	($140,801)
Excess Laytime/Overtime - Tristar	$10,798	$21,022	$10,224
Storage Tank Rental - Tristar	$830,320	$753,362	($133,246)
Pipeline Fee – Tristar	$243,889	$164,179	($181,806)
Tank Farm Management Fee-Vital	$337,637	$337,637	$ 0
Fuel Tank Farm Maintenance	$129,500	$144,331	$14,831
Ship Demurrage Cost	$80,782	$41,192	($39,590)
Fuel Hedging loss/gain	$258,500	$285,710	$23,010
Lube Oil	$1,067,220	$1,026,970	($40,250)
Subscription Other Fuel handling	$33,000	$20,497	($12,503)

Data Item	Source		Difference
	Commission Order[1]	Current Filing[2]	
Sale to Matson	($427,766)	$0	$427,766
Inventory growth to be recovered	($3,361,953)	($2,330,243)	$1,031,710
SGS Inspection	$125,055	$91,365	($33,690)
Labor Charges	$92,885	$70,012	($22,873)
Interest Charges	$582,088	$697,087	$114,999
All costs combined	$777,214	$1,957,579	$1,180,365

Notes:

1. Details provided by GPA in "Response to Question 1", ***GPA Docket 14-03, GPA Responses – Set #3*** (filename ***GPA Docket 14-03_Questions_Set 3_011414_Final.doc***)
2. See "Schedule 5" in Attachment I of ***GPA Docket No 14-03, LEAC Filing***

For the majority of the changes in the Reconciliation period, our assessment of GPA's data indicates that most of the change is well supported by the facts presented. Consultation with Commission ALJ and copies of two previous Commission Orders[4] dealing with new contracts clarify that the Commission has anticipated much of the increase arising in the Reconciliation period.

Turning to the Forecast period, we compared the changes in fuel and fuel handling costs between the Forecast and Reconciliation periods of the current LEAC filing. While fuel costs are declining by $7.9 million, handling costs are increasing by almost $4.4 million; combining the two compared with the Reconciliation period, LEAC-related costs are declining by nearly $4.6 million. We summarized the data on these expenses in Table 7:

Table 7: Forecast period (2/2014 – 7/2014) – Major Expense Element Differences

Data Item	Proposed by GPA during:		Difference
	Reconciliation[1]	Forecast[2]	
Number 6 (HSFO/LSFO)	$138,802,327	$131,413,728	($7,388,599)
Number 2 (GPA)	$3,747,601	$2,153,357	($516,386)
Handling Costs	$1,957,579	$6,350,487	$4,392,908
All costs combined	$144,507,507	$139,917,572	($4,589,935)

Notes:

[4] ***GPA Docket 13-11 Order***, July 30, 2013 and ***GPA Docket 14-02 Order***, December 30, 2013.

Data Item	Proposed by GPA during:		Difference
	Reconciliation[1]	Forecast[2]	

1. See Schedule 1 of Attachment I in ***GPA Docket No 14-03, LEAC Filing*** and Table 2 of this report.
2. See Schedule 1 of Attachment II in ***GPA Docket No 14-03, LEAC Filing***

Given the increase in fuel handling costs, it is helpful to itemize the individual components of handling cost, all of which combined are driving an increase in fuel handling:

Table 8: Forecast period (2/2014 – 7/2014) – Major Handling Cost Differences

Data Item	Period		Difference
	Reconciliation[1]	Forecast[2]	
Total Dock Fee – Tristar	$634,458	$796,781	$162,323
Excess Laytime/Overtime - Tristar	$21,022	$20,372	($ 650)
Storage Tank Rental - Tristar	$753,362	$860,067	$106,705
Pipeline Fee – Tristar	$164,179	$289,738	$125,559
Tank Farm Management Fee-Vital	$337,637	$337,637	$ 0
Fuel Tank Farm Maintenance	$144,331	$194,250	$49,919
Ship Demurrage Cost	$41,192	$80,844	$39,652
Fuel Hedging loss/gain	$285,710	$0	($285,710)
Lube Oil	$1,026,970	$1,067,220	$40,250
Subscription Delivery fee et. al.	$20,497	$33,000	$12,503
LNG Consultancy fee	$0	$1,950,000	$1,950,000
Sale of fuel to Matson	$0	($434,351)	($434,351)
Inventory growth to be recovered	($2,330,243)	$237,292	($2,092,951)
SGS Inspection	$91,365	$117,177	$25,812
Labor Charges	$70,012	$92,885	$22,873
Interest Charges	$697,087	$707,576	$10,489
All costs combined	$1,957,579	$6,350,488	$4,392,909

Notes:

1. See Schedule 1 of Attachment I in ***GPA Docket No 14-03, LEAC Filing*** and Table 6 of this report.
2. See Schedule 1 of Attachment II in ***GPA Docket No 14-03, LEAC Filing***

As Table 8 indicates, the largest increases in handling costs arise in the areas of:

- Total Dock Fee – Tristar.

- Storage Tank Rental – Tristar.
- Pipeline Fee – Tristar.
- LNG Consultancy Fee.
- Inventory growth to be recovered.

The unusually large increase in fuel handling costs is caused in part by introduction of LNG Consultancy Fee expenditures. This newly introduced LEAC expense is responsible for nearly half of the increase in Fuel Handling expenses during the Forecast period.

Nearly all of the remaining charges are based on budget data. Provided GPA follows previous LEAC practices, except for amounts arising during July 2014, all budget data will be reconciled to actual expenses that eventually will be reflected in the Reconciliation period in the next LEAC filing. We therefore have no concerns at this time about use of budgeted data for fuel expenses and the bulk of the fuel handling expenses. The exceptions are about regulatory policy issues connected with the two new capital expenditure items.

Regulatory Policy Analysis of LNG Consultancy Fee and Fuel Tank Farm Maintenance

The Commission has accepted the contracts underlying Fuel Tank Farm Maintenance and LNG Consultancy Fee[5]. With respect to Fuel Tank Farm Maintenance, the Commission's approval of the amended storage agreement is silent on the issue of whether expenditures for Fuel Tank Farm Maintenance are eligible for recovery in LEAC. We are unable to assess whether that silence is based on previously articulated general design principles or other factors. However, the Commission's decision in the previous LEAC factor proceeding (Docket 13-06) implicitly accepts including these costs in the LEAC factor.

When viewed through the lens of regulatory practitioners' general review approach, two aspects of the expenditures for Fuel Tank Farm Maintenance and the LNG Consultancy Fee attract our attention:

- Is the expenditure for capital improvement eligible for inclusion in LEAC?
- Are expenditures documented and verifiable?

Capital Improvement Eligible for Inclusion in LEAC

The Commission's acceptance of contracts notwithstanding, even though GPA has labelled Fuel Tank Farm Maintenance expenditure as a fuel handling expense, its responses to our data request Set #1 indicate that the

[5] See ***GPA Docket 13-11 Order***, July 30, 2013, ***GPA Docket 13-11 Supplemental Order***, September 24, 2013 and ***GPA Docket 14-02 Order***, December 30, 2013.

expenditures represent a series of five separate capital improvement projects:

- Piping Upgrade ADO Line.
- Piping Upgrade Pressure Relief Valves (FO).
- Tank Re-Painting 1934 & 1935.
- Automatic Tank Gauging (ATG) System.
- Fire Fighting Equipment Upgrade.

All of the projects are expected to be completed within 12 months.

With respect to the LNG Consultancy Fee, the Commission, in its Order in Docket 14-02, provided specific instructions on the amount of the expense that can be included in the LEAC factor for this and future filings. This expense, while conditionally approved for inclusion in LEAC in the Commission's aforementioned Order, is also in the nature of a capital expenditure that is similar in spirit to the Fuel Tank Farm Maintenance Fee.

Expenditure Documentation and Verification

The justification for the Fuel Tank Maintenance projects provided by GPA is that the facilities have deteriorated to the point that safe and efficient operation requires the repairs. Although the materials provided, which were compiled by Vital, refer to the projects as part of a capital improvement program, GPA did not include in its LEAC application any justification for including capital projects in LEAC. Based on GPA's responses to our data requests, we believe that the projects have been justified and should be included at levels proposed by GPA in both the Reconciliation and Forecast periods.

With respect to the LNG Consultancy Fee, the Commission has ordered that it be conditionally approved at a level that is less than what GPA has estimated:

- $3,900,000 included in LEAC filing.
- $ 1,022,500 approved by the Commission in Docket 04-02.

In the "Ordered" section of the Commission's Order in Docket 14-02, the Commission established two important requirements

- Conditional approval of $1,022,500 for this category of charges in "Ordered" paragraph 1.
- Appropriate documentation to support the expenditure.

In reviewing the materials submitted by GPA, we conclude that documentation requirements have not been met. It is also possible that GPA has or is in the process of providing the documentation and amending its request. Pending the availability of justification materials and on the assumption that they will be considered as sufficient to justify the

expenditures, we find that the GPA request should be included in the LEAC at a reduced level of $1,022,500.

If the Commission were to authorize these charges at the levels it conditionally approved in its Order in Docket 14-02, it will need to consider adding the following restrictions:

- A refund mechanism be put in place to be triggered by adjustments in spending and a subsequent finding that the documentation was not sufficient.
- The next LEAC application includes actual expenditures for all six months of the Reconciliation period.
- The documentation for actual expenditures is sufficiently detailed to permit the Commission to make a positive determination that recovery of the expenditures through LEAC does not expand the use of the LEAC factor for capital project recovery and potentially contravening recovery principles established in the Commission's Order in Docket 14-02.

CONSULTANT REVISED LEAC ESTIMATES

The Commission's Consultant revised the LEAC calculations to include the effects of:

- The latest Morgan Stanley forecast of oil prices.
- The LNG Consultancy Fee being reset to the level authorized by the Commission in Docket 04-02.

The overall impact is a substantial decline of nearly $9.88 per mWh in the undiscounted LEAC rate. This decline has two pieces; one in the Reconciliation period and the remaining impact in the Forecast period.

When the latest Morgan Stanley oil price forecast is incorporated for January 2014 along with GPA updates for actual data in November and fuel handling expenses for the last three months, it increases the undiscounted LEAC factor from by $0.5977 per mWh (from $176.4604 to $177.0581 per mWh), and the secondary LEAC rate by $0.5977 per kWh , in the following way:

Table 9: Reconciliation period (8/2013 – 1/2014) – Impact of Proposed Recommendation

Data Element	GPA Request	Revised	Difference
Closing Recovery Balance (Line 29, Schedule 1	($2,760,614)	($2,724,597)	$36,017
Proposed Rate without discount ($/mWh)	$ 176.4604	$177.0581	$0.5977
Proposed discounted rates ($/kWh)			
Secondary - 13.8 KV	$0.176930	$0.177540	$0.000610
Primary - 13.8 KV	$0.169193	$0.169766	$0.000573

Data Element	GPA Request	Revised	Difference
34.5 KV	$0.168473	$0.169044	$0.000571
115 KV	$0.165407	$0.165967	$0.000560

Because the reduced forecast of oil prices in January 2014,along with partially updated results for November 2013 through January 2014,are causing this change, its impact is small and only increases GPA's original request by $0.5977 per mWh for the undiscounted LEAC factor (or $0.00061 per kWh for secondary customers).

However, for the Forecast period, when both the entire period forecast of oil prices is reduced along with the reduction in the LNG Consultancy Fee; the impact is much larger causing the full reduction in the requested undiscounted LEAC factor of $6.83 per mWh (or $0.00684 per kWh for secondary customers) as compared with GPA's request:

Table 10: Forecast period (2/2014 – 7/2014) – Impact of Proposed Recommendation

Data Element	GPA Request	Revised	Difference
Proposed Rate without discount ($/mWh)	$ 178.7652	$171.9371	($6.8281)
Proposed discounted rates ($/kWh)			
Secondary - 13.8 KV	$0.179157	$0.172314	($0.006843)
Primary - 13.8 KV	$0.172308	$0.165727	($0.006581)
34.5 KV	$0.171669	$0.165112	($0.006557)
115 KV	$0.168945	$0.162492	($0.006453)

SUMMARY

In this section, we conducted a review of the LEAC factor calculations used by GPA to support a request in the LEAC factor. That review leads us to conclude:

- Estimation of sales, required generation, dispatch, fuel expenditures and fuel handling expenditures use a consistent approach across previous filings.
- Even though fuel handling expenses are increasing, the increases are being driven by new contracts that have been reviewed and approved by the Commission.
- With respect to Fuel Tank Farm Maintenance, the Commission will need to include in its order a discussion of why the underlying projects, which GPA has labeled as "capital improvement", are eligible for inclusion in LEAC. The Commission will need to assess if the inclusion does not contravene any

principles on capital improvement articulated in the Commission Order in Docket 14-02.

- GPA's LEAC submission included LNG Consultancy Fee at a higher level than authorized in the Commission Order in Docket 14-02
- GPA has not submitted justification for the LNG Consultancy fee included in fuel handling expenses and therefore need to continue to be regarded as conditionally approved and subject to potential refund.
- When GPA's estimates of LEAC are updated – for (1) partially to reflect a mixture of actual and revised estimates for November 2013 through January 2014 , (2) fuel expenses from January 2014 through July 2014 (to reflect the updated January Morgan Stanley fuel price forecast) and (3) the conditionally approved LNG Consultancy Fee – the LEAC request can be modified to reflect a net reduction of $6.83 per mWh in the undiscounted LEAC rate or $0.00684 per kWh in the equivalent rate to secondary customers .

Based upon the provided documentation, the LEAC factor requested by GPA should be reduced to reflect:

- GPA partially updated data for November 2013 through January 2014.
- Revised Morgan Stanley fuel forecast.
- Conditionally approved LNG Consultancy fee.
- Additional actual data for December 2013 and January 2014 – on sales, required generation, barrels of oil, fuel expenditures and fuel handling expenses – that may become available from GPA.

4.0 FINDINGS

The Findings section discusses the facts that can be derived from the analysis.

Based upon our analysis, the following findings were reached:

- The new undiscounted LEAC factor, once updated to include the latest Morgan Stanley fuel forecast and the conditionally approved LNG Consultancy Fee, can be reduced by $6.83 per mWh to $171.9371 per mWh instead of the $178.7652 per mWh proposed by GPA.
- The new LEAC rate to secondary customers, once updated to include the latest Morgan Stanley fuel forecast and the conditionally approved LNG Consultancy Fee, can be reduced by $0.00684 per kWh to $0.172314 per kWh instead of the $0.179157 per kWh proposed by GPA.
- Except for the forecasted growth rate in sales, the Commission's Consultant found all charges in the Reconciliation period to be fully supported by a combination of what was included in the filing and materials provided by GPA in response to data requests.
- In the Reconciliation period, as of January 24, 2014, GPA has not updated it results to reflect the updated Morgan Stanley fuel price forecast.
- In the Reconciliation period, as of January 24, 2014, GPA has updated results to reflect actual data on fuel expenses for November 2013 and fuel handling expenses for November and December 2013.
- In the Reconciliation period, as of January 24, 2014, GPA has updated results to reflect a revised level of estimated fuel handling expenses for January 2014.
- In the Forecast period, GPA did not update its fuel costs to reflect the latest Morgan Stanley forecast and the LNG Conversion Fee to the conditionally approved levels in the Commission Order in Docket 14-02.
- The inclusion of the Fuel Tank Farm Maintenance Fee in the LEAC factor is consistent with prior Commission orders, but we are unable to assess whether the Commission has directly addressed the implication that in accepting these costs it has implicitly expanded the LEAC to include capital items.
- As the Commission noted in its Order in Docket 14-02 the inclusion of capital items is not consistent with the express purpose of the LEAC.
- Based on what GPA filed in Docket 14-03 and responses to Data Requests, GPA is not compliant with the Commission's requirement to justify the LNG Consultancy fee.
- GPA relied on an SAIC energy forecast when preparing its forecast of Fiscal 2014 sales. The filing did not include any reference to the forecast.
- Recent contractual amendments that have been approved by the Commission are contributing to significant increases in fuel handling (approximately

167% relative to the previous LEAC request) during the Reconciliation period and are diminishing the impact of declines in fuel prices.

- GPA did not include any justification of Professional Fees for LNG consultancy, and the filed request is based on a different number than the Commission conditionally approved in its Order for Docket 14-02. Given that the Commission Order occurred after filing, it is understandable that GPA's filing is not compliant with an Order that was issued after the filing. Had GPA revised its filing, it would have caused an even larger reduction in the LEAC Factor than proposed by GPA.

5.0 RECOMMENDATIONS

The Recommendations section provides the recommendations to the Commission related to the petition to adjust the LEAC.

Based upon the investigation of the supporting documents, we recommend that:

- The approved LEAC rate to secondary customers be reduced by $0.0684 per kWh to $0.17234 per kWh instead of the $0.179157 per kWh proposed by GPA. By this action, the Commission will revise the LEAC from the level originally proposed by GPA.
- The GPA establish sufficient accounting records to permit refund of "Professional Fees for LNG".
- The Commission establish refund procedures in a separate docket to fulfill requirements of its Order in Docket 14-02 in the event that it needs to order a refund of the conditionally approved LNG Consulting Fee if it includes the Fee in the LEAC factor calculations.
- The professional fees for LNG in the Forecast period be reduced to $1,022,500 pending submission of proper support justifying the expenditure in time for filing in the Reconciliation period for the next LEAC Filing.
- The forecasted fuel prices in calculating the LEAC Factor be revised to reflect the January Morgan Stanley forecast.
- The Commission will include language in its Order in Docket 14-03 articulating why expenditures related to Fuel Tank Farm Maintenance – considered by GPA to be capital improvement projects – qualify as non-capital expenditures to be included in LEAC.

6.0 AREAS FOR CONSIDERATION RELATED TO LEAC

There are two areas that we consider important to address that will cause some changes in how the LEAC data are compiled and whether there could be a basis for making a change in how the Reconciliation period is trued-up to reflect only actual expenditures. We refer to the issues as:

- Transparency.
- Never-reconciled sixth month.

TRANSPARENCY ISSUES

Our review of the details of GPA's calculations during the Reconciliation period reveals that for several fuel handling items in as many as three months GPA presented data for a month that included multiple amounts which are not visible when reviewing the schedules provided in the filing. These items affect data presented for:

- Fuel Tank Farm Maintenance.
- Lube Oil.
- SGS Inspection.
- Subscription Delivery.
- Labor Charges.

We discovered this approach to presenting data when GPA provided an Excel worksheet containing its calculations. The pattern for the five fuel handling expense categories varies, so we present the items in the next two tables. The sole purpose for both of these tables is to demonstrate the lack of transparency in how some data are presented.

Table 11: Reconciliation period (8/2013 – 1/2014) – Unexplained Data for Handling Cost

Data Item	Data Elements		Total
	1	2	
Pipeline Fee – Tristar (August)	$26,957.12	($69,453.00)	($42,496)
Lube Oil (September)	$82,436.67	$109,372.32	$191,809
SGS Inspection (August)	$2,127.03	$9,911.10	$12,038
SGS Inspection (September)	$5,020.73	$3,360.00	$8,381
SGS Inspection (October)	$5,266.33	$7,091.14	$12,357
Subscription Delivery (August)	$1,841.16	($104.99)	$1,736
Sub-total	$123,650.04	$60,176.57	$183,827

The last two expense items that we highlight are Fuel Tank Farm Maintenance and Labor Charges. For each of the three months for which

actual data are available, the amounts displayed reflect the sum of three items as indicated in Table 11 below.

Table 12: Reconciliation period (8/2013 – 1/2014) – Unexplained Data

	Data Elements			
Monthly Data	1	2	3	4
Fuel Tank Farm Maintenance (September 2013)	$15,528.04	$14,647.30	$17,030.65	NA
Labor Charges				
August	$ 661.92	$7,239.68	$581.20	$8,482.80
September	$ 409.77	$6,032.42	$567.49	$7,009.68
October	$ 1,132.35	$6,490.14	$455.07	$8,077.56
Sub-total	$17,732.08	$34,409.54	$18,634.41	$70,776.03

GPA has based its estimates on verifiable and accurate data, but simply in a non-transparent way. The lack of transparency will easily be handled by revising Schedule 5 in Attachments I and II to display the individual elements or adding new schedules that display all data elements and the respective totals that are carried into Schedule 5 and eventually Schedule 1 of GPA's LEAC filing.

NEVER RECONCILED 6TH MONTH

The underlying design principle of the LEAC is that a new LEAC is in effect based on fully projected data for six months. At the end of the six months, the Forecast period becomes the Reconciliation period in the subsequent filing. By the time the Commission issues its order, actual data are available for only five of the sixth months. The Commission bases its approval on a true-up – between estimated and actual data – for the first five of six months in the Reconciliation period. Thus, for many years, the Commission has reviewed and approved GPA's LEAC filing without expressing a concern over not seeing actual data for the sixth month at the time it issues its Order.

Even though GPA does not use unique estimates for the sixth month, there is a high probability for error without any future recourse for customers. Based on existing practices, there is no way to assess the full impact of not reconciling the six month on GPA or its customers.

At present, GPA includes Attachment III in its filing enabling the Commission to see data for fuel expenditures over a 12 month period. In the filing for this docket, GPA's data include all months of Fiscal 2013 (October 2012 through September 2013). These data could be used to true-up fuel expenditures for the sixth month from the Reconciliation period of the

previous LEAC Factor in Docket 13-06. Unfortunately, GPA does not provide comparable historic data for fuel handling expenditures. Thus, true-up of fuel handling expenses is not possible from information that is included in the LEAC.

Even if full information were available, the design of LEAC does not permit the Commission to make an adjustment in the next LEAC docket for the sixth month of the Reconciliation period from the current LEAC docket.

Based on our knowledge of adjustment clauses, except for those purposefully designed on an incentive basis, there are no adjustment clauses in force for any rate-regulated investor-owned or publicly owned electric utility that are not fully reconciled at some point in the future. Our review of prior Commission orders leads us to conclude that the LEAC was not designed on an incentive basis. Thus, the reliance on reconciliation for only five of the six months would seem to be an unusual design element of the LEAC. It permits the company to estimate values for the sixth month with an understanding that they will not be adjusted in future filings. Perhaps there is a reset during a base rate case, but that adjusts tariffs going forward without crediting customers with any over-charges.

It seems premature to propose changes in how the LEAC factor trues up the sixth month without having any analysis on which to base a proposal. In our view, it is sensible to apply an informational requirement so that the Commission can assess whether the absence of a true-up for the sixth month is causing customers to be charged unfairly.

To provide information to the Commission, it does not seem overly burdensome to require GPA to file a report that trues-up the sixth month for all data elements:

- Sales to customers
- Required generation by unit and in total for GPA
- Heat rate by unit
- Barrels of oil required by unit and in total for GPA
- Fuel expenditures by unit and in total for GPA
- Fuel handling expenditures in total for GPA
- LEAC recovery

Based on our understanding, GPA should easily have data for this report available within 30 days after the Commission issues its order in Docket 14-03 and subsequent dockets. That would enable GPA to issue a true-up report within 60 days following the issuance of an Order in a LEAC proceeding.

If the Commission agrees with our concern, it could impose the reporting requirement for three cycles. Once the data are available for all three

cycles, the Commission can then assess whether the reporting practice should be continued, and if it is necessary to make any changes in how the LEAC Factor is implemented.

APPENDIX A – GPA'S RESPONSES TO QUESTIONS

In the following tables are the questions presented to GPA by the Commission's Consultants and GPA's responses.

Attachment I

PUC Consultant Question	GPA Response
Please provide historical loss data by voltage level [distribution (primary, secondary and transformer), 13.8 kV for primary, and transmission (34.4 and 115)] for calendar year 2013 (12 months ending 12/31/2013) consistent with calculations in Schedules 1 and 10	At this time, GPA does not have actual losses broken down in this kind of detail. GPA hopes to have this data available when the Smart Grid project is fully implemented.
If used in calculations supporting the response to 1, please provide monthly data for "Unaccounted" energy.	N/A
Please provide a revised Schedule 2 that includes Cabras #1 heat rate for December 2013	Please see attached Excel file "LEAC Aug 13 thru Jan 14 rev1.xls"
Please indicate for Schedule 2 what is causing heat rate for Cabras #3 to be higher in September 2013 than in remaining months of 2013. If caused by start-up, please provide support for heat rate in September 2013.	The "heat rate" for schedule 2 is based on the following calculation: Heat Rate = (Total Barrels Consumed x 6.1 MBTU/BBL) / Total KWH Generated Therefore, the "heat rate" will change each month depending on the total generation and fuel consumption. If the actual generation and consumption are not available, this value can be assumed using Yield and heating value, as follows: Heat Rate = (6.1 MBTU/bbl) / Yield

PUC Consultant Question	GPA Response
	Where Yield = KWH/BBL Yield is a calculated value based on the total generation divided by total fuel consumption of the unit from previous periods. A higher heat rate in September just means less efficient unit operation (i.e., more MBTUs needed to produce a KWH). One of the causes may be the unit start-up, another one could be that the unit was dispatched at a more efficient level in October compared to September. Note: The forecasted fuel consumption and kwh generation are based on the latest available heat rate curves and the latest minimum heating value requirements in the contract. The LEAC Control Charts use actual heating values (based on test results) to check whether heat rate standards are being met. Heat Rate in October was lower which means operation of the unit was more efficient. The last few months had lower heat rates, but these are based on historical yield. Since the LEAC filing was done in December, these calculations were completed in November, when the actual generation and fuel consumption for November, December and January were not yet available.
Please indicate for Schedule 2 what is causing heat rate for Cabras #2 to be higher in last three months of six-month period ending January 2014.	Since the LEAC filing was done in December, these calculations were completed in November, when the actual generation and fuel consumption for November, December and January were not yet available. For

PUC Consultant Question	GPA Response
	these months, the heat rates were based on historical yield, which are higher than the actual yield for the more recent months of August, September and October.
Please confirm that in Schedule 9 the shaded columns reflect actual generation for the first five months of the period (August – December 2013).	August 2013 through November 2013 reflects the actual generation while December 2013 is a forecast.
Please describe how calculations were performed for January 2014 shaded data in Schedule 9	Energy Generation for January 2014 is based on forecast. Pls. refer to our summary sheet which indicates the formula to calculate the generation forecast. This is allocated to the different generating plants in proportion to the dispatching forecasts provided by our SPORD team as shown on Schedule 9.
Please provide support for "plant use" data shown in Schedule 10	Pls. see attached schedule of "plant use" applicable for FY 12. These were compiled from the monthly reports provided by Generation Department. Plant usage was gauged through meter reading.
In Schedule 10, please indicate what "plant use" and "company use" would have been using actual data for calendar year 2013	The plant use and company use would have been 5.54% and .19% respectively using actual data for FY 13 as shown on attachment II Schedule 10 and represents our basis to calculate the gross generation for this LEAC filing.
In Schedule 10, if "Actual" applies to sales, please provide monthly sales data separated into Civilian and Navy customers, for each of the months from August through October 2013.	Pls. see attached schedule "Breakdown of Civilian and Navy sales Aug13 to Oct13.xls".

PUC Consultant Question	GPA Response
Please provide budget documents that support "Fiscal Year 14 budget for Labor" contained in Schedule 5	Pls. refer to Excel File: FY14 Labor Charges
Please provide forecasts – other than Morgan Stanley's – in GPA's possession that could have been used to support "Forecast" data in Schedule 7	GPA receives two other sets of forward curves from trading desks of other banks. We have had a prior agreement with the PUC to use Morgan Stanley to maintain consistency in price setting. We also have a fuel forecast that was created for the IRP more than a year ago. We do not believe these are what you are looking for. Please let us know if you do wish to receive them.

Attachment II

PUC Consultant Question	GPA Response
For Schedule 2, please provide heat rate data for Cabras #3 by month. Please explain why the data provided to the Commission shows heat rates of zero ("0") for months in which generation is non-zero. Please explain why these data were not provided in the original filing.	Formula was not copied. Please see attached Excel file "LEAC Feb 14 thru Jul 14 with 3.9M recoverable in 12 months.xls".
For Schedule 3 (page 1), please provide heat rate data for Macheche CT in months when generation is non-zero. Please explain why these data were not provided in the original filing.	Please see attached Excel file "LEAC Feb 14 thru Jul 14 with 3.9M recoverable in 12 months.xls".
Please provide support for "Fuel Tank Farm Maintenance" – including "Justification on Exhibit_" described in Schedule 5	Please see attached – "Fuel Tank Farm Maintenance.pdf".
Please provide forecasts – other than Morgan Stanley's – in GPA's possession that could have been used to support "Forecast" data in Schedule 7	N/A
In Schedule 10, please indicate what "plant use" and "company use" would have been using actual data for calendar year 2013	N/A

PUC Consultant Question	GPA Response
For Schedule 10, please provide a work paper that shows the amount of energy (mWh) required to compensate for each loss factor shown. We are unable to replicate the steps that take the calculations from the FY 2013 sales level to the required net send out of 1,672,398 mWh.	Pls. see attached "Working Paper for net send out FY13.xls" for calculation of 1,672,398 mWh and the amount of energy generated for FY 13.

Attachment IV

PUC Consultant Question	GPA Response
Please provide a copy of document from which "Platt's Prices as of 12/3/2013" was sourced. Please ensure that copy includes all pages required to replicate GPA's calculations of price differential between SingGas Oil 500 ppm and USLD	Page 1 and 2 of Attachment IV should have been the first 2 pages of Attachment V. The Morgan Stanley Singapore Commodities Noon Call for 12/9/13 was actually used in both Excel files "LEAC Aug 13 thru Jan 14 rev1.xls" and "LEAC Feb 14 thru Jul 14 with 3.9M recoverable in 12 months.xls". Page 1 should have been corrected when the schedules were updated using the 12/9/13 Noon Call.
Please indicate how dispatch would have been affected by a change in the implicit assumption of a zero effective forced outage rate for all units. In GPA's experience, do the units experience unplanned (or forced) outages? For the most recently available calendar year, please provide monthly data of effective forced outage rate for all units.	"Forced Outages" are actually included in the forecast by including extra or contingency outages when forecasting unit availability. The process is as follows: - Using the Generation Outage Schedule, the unit availabilities for each month are calculated. - Historical/Actual Unit Availabilities are compared with these forecasted availabilities. In most cases, actuals are lower than the forecasted availability. - If forecast < actual, then there are no changes to the unit availability and outage schedule

PUC Consultant Question	GPA Response
	- If forecast > actual, extra or contingency outages are assumed, so that the availabilities of the unit are decreased to meet or be closer to actual/historical EAFs (please see screenshot below). The baseload units produce more MWHs, and Diesel Units are dispatched more frequently when these extra or contingency outages are included. Therefore, including forced outage rates, or lowering the availabilities of the units to account for forced outages will increase diesel fuel consumption forecast. The EAF and EFOR tables for the last few fiscal years are in the table below (reference: Generation Monthly Report).
Please provide name and vendor name of program used to estimate dispatch. Please indicate whether the underlying model is deterministic or probabilistic relative to forced outage rate assumption.	GPA uses its Economic Dispatch Program, created in-house. The model is a deterministic approach based on heat rate curves from the most recent performance tests and the dispatch of the most efficient units. The EDP also uses actual heating value inputs; for forecasts, it uses the minimum required heating values in the contract, but for actual dispatch, these can be replaced with heating values from the most recent fuel quality test results. The user can set-up the scenarios to run this program, and compile the results. The scenarios are based on assumed outages but no more than two (2) baseload units at a time.
Please indicate whether heat rate is anticipated to be affected by installation of oxidation catalyst. If impact is different across units during the Forecast period	Oxidation Catalysts are going to be installed in the fast track diesel units, and impact on heat rate will be evaluated once the oxidation catalysts are in place. The

PUC Consultant Question	GPA Response
(February through July 2014), please provide a work paper showing the impact of oxidation catalyst on heat rate by unit by month	impact right now is more on the dispatching of the units, since the fast track diesel units will be unavailable at the time of installation, and these units are used for peak loads or to run in case of unexpected outages. Installation of the oxidation catalysts started in December, and to be conservative, it was assumed that installation and testing will go on until April 2014, in a staggered approach (i.e. a couple of units at a time, instead of all units at one time). To account for this in the economic dispatching of the units, each scenario in the analysis assumed that no more than six (6) units can be dispatched at a time.
Please provide assumptions for heat content (MMBtu/barrel) for No. 6 and No. 2 oil. Please identify source underlying assumption (e.g., US Energy Information Agency, American Petroleum Institute, etc.). If taken from a published document, please provide a copy of document.	The heat content assumptions are based on the Minimum Gross Heating Value requirements from the contracts. For RFO, this is 6.3 MMBTU/bbl, and for Diesel, this is 5.7 MMBTU/bbl. Contracts are attached – GPA 068-12 – SupplyOfRFO6 and Diesel Supply Contract 049 -09 (Dec 2009-Nov 2012) Southern Locations.

Adjustment of Unit Availabilities:

FY2013 Actual 3-Yr Rolling Avg	FY2013 Actual 2-Yr Rolling Avg	PUC Target 2-Yr Rolling Avg	ACTUAL Feb13-Jul13	FORECASTED AVERAGE WITH Contingencies (Original Outage Sch. + Contingencies)	ACTION DONE	FORECASTED AVERAGE W/O Contingencies (Original OUTAGE SCHEDULE)
95%	95%	87%	97%	95%	lower to 95	100%
93%	91%	87%	95%	93%	lower to 93	100%
57%	38%	90%	0%	91%	lower to 91%	97%
96%	96%	90%	97%	91%	lower to 91%	95%
87%	82%	90%	95%	90%	lower to 90%	93%
89%	86%	90%	94%	90%	lower to 90%	95%
99%	100%	87%	100%	98%	lower to 98%	100%
97%	97%	87%	98%	98%	lower to 98%	100%

EAF and EFOR:
(NOTE: EAF and EFOR currently being verified)

EAF (%)	FY2011	FY2012	FY2013
Cabras Unit #1	93%	92%	98%
Cabras Unit #2	94%	83%	96%
Tanguisson Unit #1	98%	92%	96%
Tanguisson Unit #2	92%	95%	95%
Cabras Unit #3	95%	79%	13%
Cabras Unit #4	95%	84%	93%
MEC Unit #8	89%	69%	89%
MEC Unit #9	94%	80%	89%

EFOR (%)	FY2011	FY2012	FY2013
Cabras Unit #1	3%	8%	2%
Cabras Unit #2	4%	6%	3%
Tanguisson Unit #1	0%	1%	0%
Tanguisson Unit #2	1%	2%	0%
Cabras Unit #3	1%	7%	87%
Cabras Unit #4	1%	6%	2%
MEC Unit #8	1%	6%	1%
MEC Unit #9	2%	2%	2%

Attachment VI

PUC Consultant Question	GPA Response
Please provide a copy of all contractual documents (not otherwise provided in response to any previous question) supporting "Fuel Tank Farm Maintenance". Since this is a line item not appearing in previous LEAC filings, if document was previously provided to Commission, please indicate whether it was in connection to a previous LEAC filing	Please see attached file "2012-04-30 Vital Energy Contract signed.pdf"

Attachment VIII

PUC Consultant Question	GPA Response
Please provide Excel spreadsheet – with formulas intact – used in preparing chart contained in the attachment	Please see attached Excel file "chart – Actual vs. Planned Feb14 to Jul14-Portrait.xls".

Attachment IX

PUC Consultant Question	GPA Response
Given that work paper does not show any transactions from October 1, 2011 through November 30, 2013, please confirm that there are no transactions from 10/1/2011 through 11/30/2013.	The only transactions recorded in these accounts during the period of 10/1/2011 to 11/30/2013 were postings for the interest earned on the funds.

PUC Consultant Question	GPA Response
Please provide any e-mail, memoranda or other communications from GPA's external auditor that address data contained in the schedule.	**No communications**

Appendix A

PUC Consultant Question	GPA Response
Please indicate what if any upgrades to existing or installation of new meter data collection systems will be needed to support anticipated acquisition of Customer Care & Billing software from Oracle	N/A
Please indicate what if any upgrades to meter data management systems will be required to support anticipated acquisition of Customer Care & Billing software from Oracle	N/A
Please provide all studies and other analyses underlying GPA's decision to acquire and implement Customer Care & Billing software from Oracle	N/A

Miscellaneous

PUC Consultant Question	GPA Response
Please provide all schedules and supporting data contained in LEAC filing as Excel files with formulas intact. Within files, for any data that is contained in any external file, database or dispatch model results that cannot be provided, please convert references into numbers and provide a listing of sources for each converted item with file, worksheet and cell reference numbers.	Please see the attached Excel files "LEAC Aug 13 thru Jan 14 rev1.xls" and "LEAC Feb 14 thru Jul 14 with 3.9M recoverable in 12 months.xls". The tab names in each file correspond to the schedule numbers in the LEAC filing for each period.

PUC Consultant Question	GPA Response
Please provide an Excel Workbook, , with formulas intact that shows the impact of using six months of actual data versus mixed actual and forecasted data for the reconciliation period in LEAC filing from Docket 12-13. The Workbook should include all relevant schedules but certainly Schedules 1 through 5 and 8 through 11.	**Pls. refer to File: LEAC Aug 13 thru Jan 14 rev2.xls** **Note: Actual costs are updated up to November 2013.**
For all the calculations included in responding to first question for this attachment, please provide a revised Excel file comparable to LEAC Aug 13 thru Jan 14 rev1.xls using actual data for the months of November and December if available.	**Pls. refer to response and Excel file provided on Set 2, RFI #1 (Shown above).**
Has GPA previously informed the Commission of the impact from using projected data for last three months of reconciliation period? If so, please provide copies of communications with the Commission on the topic.	**No**
Has GPA determined that never reconciling the last three months of the "Reconciliation Period" ; as between actual and projected data; is consistent with design principles for the LEAC Adjustment? If so, please provide the basis for the conclusion including a relevant paragraph from any previous LEAC	**At the time of the LEAC filing, GPA provides the available actual data (normally only three months) and the forecast for the remaining period of the "Reconciliation Period". Then in the next filing, GPA shows the reconciliation of the actual data for those months reported as forecast previously to arrive at the actual over/under recovery. This is shown in Attachment III. We'll**

PUC Consultant Question	GPA Response
Adjustment PUC Order.	**be happy to walk you through the reconciliation.**
Please provide copy of language describing LEAC adjustment from the most recently approved GPA tariff.	**Pls. refer to PUC Order- 2013 July 30_LEAC Order Docket 13 06.pdf.**
Please explain the discrepancy between heat content in response to fourth question of Set #1 – 6.1 MMBtu/barrel and the response to sixth question of Set #1 (6.3 MMBtu/barrel). For example, does 6.1 refer to a blend of #6 and #2 at Cabras Unit 3 or simply a different contractual heat content for Cabras Unit 3 versus supply to other stations?	**The 6.1 MMBTU/bbl is based on the previous RFO contract minimum requirement. This is based purely on RFO and not a blend of #6 and #2.**
Please explain the August 2013 data items for "Pipeline Fee -Tristar (FY 13 & FY14 Budget)". Is it typical for the contract to produce a net credit for a month?	**In May 2013, Tristar billed GPA $135,371.27 for In-Line Inspection Activities. GPA paid this invoice in full. However, the Fuel Management division was in communication with Tristar regarding some of the charges and was able to negotiate a credit for the charges in question. In August, a credit memo of $69,453 was issued and posted against the fuel handling account resulting in a net credit balance of ($42,496) for the month of August 2013. Please see the attached files – "2013-05-10 TriStar Inv #ARO-0125.pdf", "2013-07-30 email re Inv #ARO-0128.pdf" and "2013-09-09 TriStar Inv #CM-ARO-0125.pdf".**
Please explain the sources of all data elements for Fuel Tank Farm Maintenance in September 2013 contained in cell E14, work sheet "HandlingCostsS5" in workbook file LEAC Aug 13 thru Jan 14 rev1.xls.	**These are expenditures related to the maintenance of the GPA Fuel Tank Farm. Pls. see attached breakdown of costs, the work performed by the contractor and its supporting invoices to substantiate the incurred costs. Ref. Files:**

PUC Consultant Question	GPA Response
These amounts are not included in documentation (Fuel Tank Farm Maintenance.pdf) provided in response to question 3 of Set #1. Please provide documentation supporting each of the three data items comprising the sum shown in the cell.	**Breakdown of Cost – Attach 1#8.xls and Attac 1#8-Supporting Documents for Tank farm.pdf**

Attachment II

PUC Consultant Question	GPA Response
Given the document provided in response to question 3 of Set #1, are the projects contemplated being charged by Vital in accordance with the terms of paragraph 9.3.11 of 2012-04-30 Vital Energy Contract signed.pdf provided by GPA in response to Set #1?	**Yes, Vital develops a scope of work for the proposed projects and undergo GPA review and approval process. Finished projects are inspected and certified for satisfactory completion and compliance with the approved project scope before invoice payment is approved.**
Please explain why Schedule 5	**These are projects that can be recommended and readily available at the time of the submittal of the FY14 proposed budget. Other projects require prior assessments and estimated costs are not available yet at the time of the budget submittal.**

Attachment IV

PUC Consultant Question	GPA Response
1. If not explained in latest response to third question in Set #2 for Attachment I, please explain the discrepancy between heat content in response to sixth question of Set #1 (6.3 MMBtu/barrel), Attachment IV and fourth question of Set #1, Attachment II – 6.1 MMBtu/barrel.	**The 6.1 MMBTU/bbl is based on the previous RFO contract minimum requirement. This is based purely on RFO and not a blend of #6 and #2.**

Attachment V

PUC Consultant Question	GPA Response
1. Please provide an updated version – for January 2014 of the ***Morgan Stanley Commodities Commentaries*** including all pages comparable to those included in existing Attachment V (the 9 December 2013 version of document.)	**Pls. refer to Excel File – Price Indication 20140117.xls and AsiaNoonCall20140117.pdf.**

Attachment VIII

PUC Consultant Question	GPA Response
1. Please provide Excel spreadsheet; with formulas intact ; that were used in preparing chart contained in the attachment. The response provided to the question in Set #1 included only an Adobe file without formulas.	**Pls. refer to Chart- Actual vs. Planned Feb 14 to Jul 14-Portrait.xls**

Table 13: Reconciliation period (8/2013 – 1/2014 – Major Handling Cost Differences

Data Item	Source		Difference
	PUC Order	Current Filing	
Total Dock Fee - Tristar	$775,259	$634,458	-$140,801
Excess Laytime/Overtime - Tristar	$10,798	$21,022	$10,224
Storage Tank Rental - Tristar	$830,320	$753,362	-$76,958
Pipeline Fee – Tristar	$243,889	$164,179	-$79,710
Tank Farm Management Fee – Vital	$337,637	$337,637	$ 0
Fuel Tank Farm Maintenance – Vital	$129,500	$144,331	$14,831
Ship Demurrage Cost	$80,782	$41,192	-$39,590
Fuel Hedging loss/gain	$258,500	$285,710	$27,210
Lube Oil	$1,067,220	$1,026,970	-$40,250
Sale to Matson	-$427,766		$427,766
Subscription Other Fuel handling	$33,000	$20,497	-$12,503
Inventory growth to be recovered	-$3,361,953	($2,330,243)	$1,031,710
SGS Inspection	$125,055	$91,365	-$33,960
Labor Charges	$92,885	$70,012	-$22,873
Interest Charges	$582,088	$697,087	$114,999
All costs combined	$777,213	$1,957,579	$1,180,365

APPENDIX B – REFERENCE DOCUMENTS

As part of the review, the Commission's Consultant worked closely with the ALJ and the staff of GPA to gather data to support the analysis. The information presented to the Commission's Consultant included:

Table 14: Documentation Provided to Support Review

Provided by the ALJ	Provided by GPA	
6.7.12 PUC COUNSEL REPORT.dc	LEAC Aug 13 thru Jan 14 rev1.xls	GPA Docket 14-03_Questions_Set
6.11.12 ORDER.docx	Plant Use FY 12.xls	2013 July 30_ LEAC Order Docket 13 06.p
PUC ORDER 2013-12-30.pdf	Breakdown of Civilian and Navy sales Aug1:	2013-05-10 TriStar Inv #ARO-0125.pdf
6 14 13 LEAC_August 2013.p	LEAC Feb 14 thru Jul 14 with 3.9M recover	2013-07-30 email re Inv #ARO-0125.pdf
9.24.13 SUPPLEMENTAL ORDI	Fuel Tank Farm Maintenance.pdf	2013-09-09 TriStar Inv #CM-ARO-0125.p

Provided by the ALJ	Provided by GPA	
7.30.13 ORDER.docx	Working Paper for net send out FY13.xls	AsiaNoonCall201401 17.pdf
7 `12 13 Docket 13-11 Contract Revie	Diesel Supply Contract GPA-049-09	Attac 1 #8 -Supporting Documen
	FY 14 Labor Charges.xlsx	Breakdown of Cost-Attach 1#8.xls
	GPA Docket 14-03_Questions_Set	chart-Actual vs.Planned Feb14 to.
	Breakdown of Costs-Set 3 #2.xls	GPA 2013 Load Forecast_Export 201
	Breakdown of Costs-Set 3 #3.xls	Set 3#2 Supporting documents.pdf
	Set 3 #1.xls	Set 3#3 Supporting documents.pdf

Provided by the ALJ	Provided by GPA	
	Supporting Doc.-Labor Aug to Oc	GPA Docket 14-03_Questions_Set
	GPA Docket 14-03_Questions_Set	LEAC Aug 13 thru Jan 14 rev2.xls