

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF: ) GPA Docket 18-15  
)  
The Guam Power Authority Levelized )  
Energy Adjustment Clause (LEAC) ) **ORDER**  
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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 the LEAC Factor effective August 1, 2018.<sup>1</sup>
2. In its Petition, GPA requests that the Levelized Energy Adjustment Clause Factor ["LEAC"] be maintained at \$0.154242/kWh effective for meters read on or after August 1, 2018.<sup>2</sup>
3. GPA seeks to maintain the LEAC Factor at the same level implemented on May 1, 2018.<sup>3</sup>

BACKGROUND

4. For the LEAC period covered from February 1, 2018 through July 31, 2108, the PUC implemented a two-phased approach in increasing the secondary LEAC rate of 0.117718/kWh to \$0.147266/kWh, effective February 1, 2018, and then to \$0.154242/kWh, effective May 1, 2018, in anticipation of rising fuel prices.<sup>4</sup>
5. The CCU Resolution submitted with GPA's Petition indicated that the LEAC under-recovery balance of \$16.8M, as of January 31, 2018, is estimated to be reduced to \$9.5M by July 31, 2018.<sup>5</sup>

<sup>1</sup> GPA Petition to Set the LEAC Factor effective August 1, 2018, GPA Docket 18-15, filed June 12, 2018.

<sup>2</sup> Id. at p. 1.

<sup>3</sup> Id.

<sup>4</sup> PUC Order, GPA Docket 18-05, dated January 30, 2018 at p. 4.

<sup>5</sup> Guam Consolidated Commission on Utilities Resolution No. 2018-11, Authorizing the Management of the Guam Power Authority to Petition the Guam Public Utilities Commission for No Change in the Levelized Energy Adjustment Clause, adopted and approved on June 5, 2018.

6. Thus, GPA's projection was that \$7.3M of the under-recovery would be recovered in the prior LEAC period as of July 31, 2018, as a result of the two LEAC increases.<sup>6</sup>
7. A reason offered by GPA for maintaining the current LEAC Factor for the next LEAC period is that the average market price of fuel in the initial GPA filing for the current LEAC period was approved at \$65.23/bbl for the 6-month period ending July 31, 2018. The current projection for the same period is \$63.73/bbl.<sup>7</sup>
8. When it filed its current petition, GPA anticipated that the projected price of fuel for the next LEAC period, from August 1, 2018 through January 31, 2019, would be \$77.13/bbl.<sup>8</sup>
9. GPA further estimated that if the expected price of fuel did not exceed \$77.13/bbl, and the current LEAC rate is retained, the under recovery by the end of LEAC period of January 31, 2019, will be between \$7.1M and \$10.1M.<sup>9</sup>
10. According to the letter of the GPA General Manager: "The petition for no change in the LEAC factor is mainly due to the possibility that OPEC and its allies may decide to boost their production in their upcoming meeting later this month which may result for oil prices to be in the \$65-70/bbl [range]. The oil market has rebalanced and the price of fuel continues to decline in the past two weeks."<sup>10</sup>

### DETERMINATIONS

11. In addition to the possible OPEC actions, two reasons offered by GPA support maintaining the LEAC factor at its current level. First, fuel prices are dropping; second, the expected under-recovery for the next LEAC period has been going down.
12. Fuel prices may decrease further during the upcoming LEAC period. The NYMEX WTI indicates fuel prices are expected to drop from a current level of \$65.06/bbl to \$62.57/bbl in the first quarter of 2019. That and other cost indexes such as

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<sup>6</sup> Id. at p. 1.

<sup>7</sup> Id. at p. 1.

<sup>8</sup> Id. at p. 1.

<sup>9</sup> Letter from General Manager John Benavente, GPA, to ALJ Horecky, PUC, GPA Docket 18-15, Re: Levelized Energy Adjustment Clause Petition for the period of August 1, 2018 through January 31, 2019, at p. 1.

<sup>10</sup> Id.



Singapore 180 CST, are indicated in the Report from Mitsui Bussan Commodities Ltd., dated June 15, 2018, attached to the PUC Counsel Report as Exhibit "2".<sup>11</sup>

13. The June 15, 2018, Report from Mitsui Bussan Commodities Ltd. that increases in fuel supply may lead to downward pressure upon fuel prices.<sup>12</sup>
14. Fuel price five-day averages between May 11 and June 8 of the Morgan Stanley Noon Call suggest that the fuel prices have slightly trended down recently. See Exhibit "3" attached to the PUC Counsel Report.<sup>13</sup>
15. The most recent Fuel Clause Reconciliations for the current and upcoming LEAC periods indicate an under-recovery as of July 31, 2018, of \$7,728,892; the projected under-recovery as of January 31, 2019, is \$9,047,091.<sup>14</sup> These are lower under-recoveries than GPA originally projected when it filed its Petition on June 12, 2018.
16. While there is still a projected possible additional increase of \$1.3M in the under-recovery during the next LEAC period, such an increase would not ordinarily trigger an interim GPA petition for increase in LEAC during the LEAC period, where there is a required \$2M threshold increase.<sup>15</sup>
17. Should the fuel price increase above the projected \$77.13/bbl., GPA reserves the right to file a proposed new LEAC rate in October 2018 to be effective November 1, 2018.<sup>16</sup>

### **ORDERING PROVISIONS**

After carefully reviewing the record in this proceeding, having considered the LEAC Filing of GPA and the PUC Counsel Report, and after discussion at a duly noticed regular meeting held on June 26, 2018, for good cause shown and on motion duly

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<sup>11</sup> Mitsui Bussan Commodities Ltd, Report dated June 14, 2018, provided by GPA Assistant Chief Financial Officer Cora Montellano to ALJ Horecky on June 15, 2018.

<sup>12</sup> PUC Counsel notes that GPA Assistant Chief Financial Officer Cora Montellano has been extremely diligent in providing numerous and periodic updates on changes in fuel prices since the filing of GPA's Petition on June 12, 2018.

<sup>13</sup> GPA Prediction of average Fuel Price per Bbl-RFO and per Gal-Diesel through June 8, 2018, and GPA Summary of Proposed LEAC Rate dated June 14, 2018.

<sup>14</sup> Fuel Clause Reconciliations provided by Assistant CFO Cora Montellano to ALJ Horecky on June 15, 2018.

<sup>15</sup> GPA Tariff Z.

<sup>16</sup> Guam Consolidated Commission on Utilities Resolution No. 2018-11, Authorizing the Management of the Guam Power Authority to Petition the Guam Public Utilities Commission for No Change in the Levelized Energy Adjustment Clause, adopted and approved on June 5, 2018, at p. 2.

made, seconded and carried by affirmative vote of the undersigned Commissioners, the Guam Public Utilities Commission hereby **ORDERS** that:

1. GPA is authorized to maintain the Fuel Recovery Factor at \$0.154242/kWh effective for meters read on or after August 1, 2018.
2. The current singular LEAC factors are hereby maintained at the same present rates, effective August 1, 2018, as shown in the following table:

LEAC

Delivery Classification \$ per kWh

Secondary -	\$ 0.154242
Primary – 13.8 KV	\$ 0.149579
Primary – 34.5 KV	\$ 0.149148
Transmission – 115 KV	\$ 0.147312

For the entire LEAC period, these changes represent a 0% increase in the total bill for a residential customer utilizing an average of 1,000 kilowatt hours per month.

3. GPA should file for a change in the LEAC factors to be effective February 1, 2019 on or before December 15, 2018.
4. As requested by GPA, the forecast of the Working Capital Fund Requirement will remain the same, so there will not be a change in the Working Capital Surcharge for the period of August 1, 2018, through January 31, 2018.
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 §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

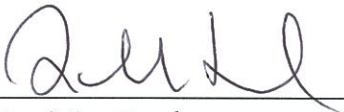
Dated this 26th day of June, 2018.

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Jeffrey C. Johnson  
Chairman

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Joseph M. McDonald  
Commissioner



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Peter Montinola  
Commissioner




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Rowena E. Perez  
Commissioner



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Michael A. Pangelinan  
Commissioner



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Filomena M. Cantoria  
Commissioner