BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:	) GPA Docket 18-05
	)
The Guam Power Authority Levelized	)
Energy Adjustment Clause (LEAC)	) **PUC ORDER**
	)
	)
	)

On December 7, 2017, the Guam Consolidated Commission on Utilities, in Resolution No. 2017-16, authorized GPA Management to Petition the PUC for an increase in the LEAC factor from $0.117718/kWh to $0.150824/kWh effective for meters read on or after February 1, 2018, through July 31, 2018.[1] 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 December 21, 2017, to the PUC.[2]

Pursuant to CCU Resolution No. 2017-47, GPA requested that the Levelized Energy Adjustment Clause Factor ["LEAC"] be increased from $0.117718/kWh to $0.150824/kWh effective for meters read on or after February 1, 2018.[3] This change would reflect a 28.12% increase in the LEAC factor, or a 15.59% increase in the total bill.[4] If implemented, this change would result in a $33.11 increase for a residential customer utilizing an average of 1,000 kilowatt hours per month.[5]

The basis indicated by GPA for the change in the LEAC factor is primarily the "continuing increase in worldwide fuel prices."[6] The increase in fuel price is also attributable at least in part to "the recent news that OPEC and major non-OPEC producers will extend their existing output cuts for the rest of 2018 and imposed output caps on Libya and Nigeria to support oil prices."[7] GPA believes that the market will remain within the $55-60/bbl. range during the period.[8] GPA also anticipates that the fuel price, effective February 1, 2018, will be $65.78 per bbl. RFO and $83.16 for Diesel.[9]

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[1] Guam Consolidated Commission on Utilities Resolution No. 2017-47, adopted December 7, 2017, at p.2.
[2] GPA Petition to Adjust the LEAC Factor effective February 1, 2018, GPA Docket 18-05, filed December 21, 2017.
[3] Id. at p. 1.
[4] Id.
[5] Id.
[6] Id.
[7] Letter from Acting GPA General Manager John Cruz, to ALJ Fred Horecky, Re: Levelized Energy Adjustment Clause Petition for the period of February 1, 2018 through July 31, 2018, dated December 21, 2017.
[8] GPA LEAC Filing, GPA Docket 18-05, filed December 21, 2017, at p. 1.
[9] Exhibit A to CCU Resolution No. 2017-47.

GPA proposed that it would recover $10.3M during the LEAC period of the total estimated under-recovery of $17.4M, leaving a balance of $7.1M at the end of this LEAC period.[10]

For the third consecutive LEAC period, GPA has taken proactive steps to lessen the large impact of a LEAC increase upon ratepayers. Rather than recovering 100% of the fuel oil cost under-recovery in this LEAC period, GPA prefers to gradually true-up the fuel oil cost by phasing in increases over subsequent LEAC periods. However, GPA has increased the percentage of the fuel cost that it will recover from 50% to 75% for this period. If GPA only recovered 50%, it would still have an under-recovery of $14.226M at the end of the LEAC period.[11]

Updated figures submitted to the CCU at its December 7, 2017, Meeting indicate that the projected fuel cost under-recovery balance as of January 31, 2018, will be $18.5M.[12]

Fuel prices have been creeping up lately; GPA's concern about the present large under-recovery is understandable. If the under-recovery rate is set too low for the upcoming LEAC period, it could result in an even larger under-recovery for the next LEAC period.

On January 12, the GPA CFO, Assistant CFO, and Legal Counsel met with PUC Counsel to discuss the proposed LEAC increase. In response to PUC Counsel's concern about the substantial ratepayer increase from the proposed LEAC, GPA indicated that it would consider the possibility of a 62.5% cost recovery during this LEAC period.

The PUC has previously determined that, before the LEAC factor is set for a particular period, an updated LEAC fuel forecast price should be prepared based upon the average of the five day period which is ten days before the meeting at which the PUC determines the LEAC factor.[13]

DETERMINATIONS

1. Counsel requested that GPA Assistant CFO Cora Montellano recalculate the average of the MS fuel forecast. On January 22, 2018, Ms. Montellano provided an updated "Proposed LEAC Rate"[14].

[10] GPA LEAC Filing, GPA Docket 18-05, filed December 21, 2017, at p. 1.
[11] Exhibit A to CCU Resolution No. 2017-47.
[12] LEAC Update—LEAC Rate, CCU Board packet, December 7, 2017.
[13] PUC LEAC Order, GPA Docket 15-27, dated January 25, 2016, at p. 2.
[14] Email from Cora Montellano, GPA Asst. CFO, to PUC Counsel Fred Horecky, dated January 22, 2018, with GPA Proposed LEAC Rate, January 15 -19, 2018 Pricing, Updated Filing.

2. To determine updated applicable fuel prices herein, GPA used the average of 5 days forward pricing from Morgan Stanley Asia Noon Call from January 15-19, 2018.[15]

3. While the updated fuel prices indicated that the price per barrel of Residual Fuel oil had decreased from $65.76 to $65.23, the price per gallon of Diesel had increased from $83.16 to $89.86. Overall, the necessary LEAC factor for 75% recovery had increased from $0.150824 per kWh to $0.153177 per kWh.[16]

4. On January 26, 2018, GPA submitted a new proposal for a two-phase LEAC factor increase during the next six month LEAC period.[17] While determining that a recovery of 62.5% of the under-recovery would not be sufficient, it proposed to recover roughly 70% of the fuel cost. Under this approach, the LEAC factor would be $0.147266 per kWh for the first three months of the LEAC period and $0.154242 per kWh for the last three months of the LEAC period. This Summary of the Proposed LEAC Rate is attached as Exhibit "1" to the PUC Counsel Report dated January 29, 2018.

5. For a number of reasons, GPA's two-phase proposal should be adopted. It will result in reducing the present LEAC under-recovery from roughly $18M to $9.14M. With implementation of the proposal, GPA will still not recover the full 100% of the under-recovery.[18]

6. In theory, the LEAC factor is designed to enable GPA to recover 100% of its fuel costs—fuel cost is supposed to be a "pass through" to ratepayers. Although GPA has been proactive in seeking to mitigate the impact of LEAC increases upon ratepayers, it would be contrary to the purpose of LEAC to allow a large under-recovery to continue in existence. It could also be dangerous in a rising fuel price market, as the amount of the under-recovery could increase to the extent that it could not even be recovered over a number of LEAC periods.

7. By phasing in the LEAC increases, GTA is still attempting to mitigate the ratepayer impact. Ratepayers will only be paying a LEAC factor for the first three months that will recover 62.5% of the fuel cost.

8. This two-phase approach is also designed to address the dangers of a rising fuel

[15] Id.
[16] Id.
[17] Email from GPA Legal Counsel to PUC Legal Counsel Fred Horecky dated January 26, 2018.
[18] Id.; phone conversation between Botha and Horecky on January 27, 2018.

price market. In the past week, the Brent Crude Oil Futures Index has shown a considerable rise in fuel oil prices. The LEAC factor must be raised appropriately in anticipation of potential fuel price increases. Otherwise, ratepayers could be subject to even more drastic increases during subsequent LEAC periods.

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 January 30, 2018, for good cause shown and 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 February 1, 2018, as shown in the following table:

LEAC Delivery Classification	**$ per kWh**
Secondary -	$ 0.147266
Primary – 13.8 KV	$ 0.142813
Primary – 34.5 KV	$ 0.142402
Transmission – 115 KV	$ 0.140649

2. The above factors in paragraph one shall be in effect until April 30, 2018. Effective May 1, 2018, the LEAC factors will be adjusted 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 an overall 15.59% increase in the total bill for a residential customer utilizing an average of 1,000 kilowatt hours per month (an increase of $33.09 per month).

3. GPA should file for a change in the LEAC factors to be effective August 1, 2018 on or before June 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 February 1, 2018, through July 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 30th day of January, 2018.

Jeffrey C. Johnson
Chairman

Rowena E. Perez
Commissioner

Joseph M. McDonald
Commissioner

Michael A. Pangelinan
Commissioner

Peter Montinola
Commissioner

Filomena M. Cantoria
Commissioner

Andrew L. Niven
Commissioner