

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 20-03
)
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 February 1, 2020.¹
2. GPA seeks to reduce the LEAC Factor from \$.154242/kWh to \$.131145/kWh for meters read on or after February 1, 2020.²

BACKGROUND

3. For the last three (3) 6-month LEAC periods, the LEAC Factor has remained constant at \$.154242/kWh. The PUC maintained the prior LEAC Factor in effect to reduce GPA's LEAC under-recovery balance.³
4. The under-recovery balance, as of January 31, 2019, was \$13,336,498.41. GPA's Petition estimated that the under-recovery balance will be reduced to \$3.3 million by January 31, 2020.⁴
5. The request in the GPA Petition to decrease the current LEAC factor to \$.131145/kWh is based upon an assumption that oil prices are projected to be \$50-55/Bbl. for the upcoming six-month period: "The oil market has continued to

¹ GPA Petition to Set the LEAC Factor effective February 1, 2020, GPA Docket 20-03, filed December 12, 2019.

² Id.

³ PUC Order, GPA Docket 19-11, dated July 25, 2019.

⁴ Id.; see also email from Cora Montellano, Asst. CFO, GPA, to Frederick Horecky, PUC ALJ, dated December 30, 2019.

remain low with the price of residual fuel oil below \$40/Bbl. over the past three weeks.”⁵

6. However, in its LEAC calculation, GPA included in its fuel pricing an estimated “**Forward Pricing + 7.5% Movement...**” based upon the Morgan Stanley pricing over the six-month period.⁶ It appears that, instead of basing its LEAC Factor projection upon the current fuel pricing, GPA added in an additional projected upward price movement of 7.5% over the next six-month period.
7. A review of the Consolidated Commission on Utilities Board Materials for its meeting of November 26, 2019, indicates its thought process for the “7.5% Movement” for Forward Pricing. At its meeting, the CCU considered different LEAC factors with varying upward price movement calculations, including proposals of 15% Movement up, 7.5% Movement Up and 5.7% with Market Movement up.⁷ In other words, GPA calculated different LEAC factors based upon its estimate of market increase in fuel prices over the next six months.
8. The LEAC factor requested by the CCU, \$.131145, was based upon an assumption of a 7.5% market movement from February to July 2020.
9. As GPA stated: “the Petition to decrease the current LEAC factor is a compromise between the projected decline in fuel prices over the next year and expected increases as OPEC and its allies continue its 1.2 billion barrels per day supply cut through the end of 2020 in the hopes of boosting the global economy.”⁸
10. The change in the LEAC factor requested by GPA would reflect an approximate 14.97% decrease in the LEAC factor and an approximate 9.28% decrease on the total bill for a residential customer utilizing an average of 1,000 kilowatt hours per month.⁹

⁵ GPA Petition to Set the LEAC Factor effective February 1, 2020, GPA Docket 20-03, filed December 12, 2019, at attached letter dated December 12, 2019 from General Manager John Benavente to PUC ALJ Frederick Horecky.

⁶ GPA Petition to Set the LEAC Factor effective February 1, 2020, GPA Docket 20-03, filed December 12, 2019, at Exhibit “A”.

⁷ CCU Board Packet Materials for its meeting dated November 26, 2019, at pgs. 91-101.

⁸ GPA Petition to Set the LEAC Factor effective February 1, 2020, GPA Docket 20-03, filed December 12, 2019, at attached letter dated December 12, 2019 from General Manager John Benavente to PUC ALJ Frederick Horecky.

⁹ GPA Petition to Set the LEAC Factor effective February 1, 2020, GPA Docket 20-03, filed December 12, 2019, at p. 1.

11. In addition to a "Forward Pricing" element in its LEAC calculation, a second new aspect of the current LEAC filing is that GPA seeks to include in the LEAC factor a charge to fund the GPA Demand Side Management Program. The Demand Side Management Program has been in effect since July of 2014.¹⁰ The purpose of the program is to provide rebates to GPA customers for the purchase of energy efficient appliances. At present GPA has implemented DSM programs for Central A/C, Ductless A/C, Washer, and Dryer.¹¹ The purpose of the DSM program is to reduce GPA ratepayer consumption of fuel through energy efficiency measures, and also to reduce the need to increase new generation capacity.
12. In its calculation of the proposed LEAC factor, GPA would include funding of \$1.5 Million for the DSM program for the period February 1, 2020 through July 31, 2020. GPA includes an estimated \$1.5 Million for costs associated with the DSM rebate program, "which has an estimated impact of \$0.002/kWh for the anticipated LEAC period. DSM under LEAC represents a 1.48% of the anticipated fuel cost for the period..."¹²
13. GPA's theory is that the funding of the DSM program through LEAC is justified, as DSM reduces GPA's fuel cost by lowering the consumption of fuel required to be included in the LEAC factor. GPA has also presented its request for inclusion of DSM program costs in its Petition in GPA Docket 20-05.¹³
14. The ALJ filed his Report herein dated January 27, 2020.¹⁴

DETERMINATIONS

15. Initially, it is unclear why GPA included a "Forward Pricing + 7.5% Movement" in its LEAC calculation. Historically, from the inception of the LEAC factor process to the present time, GPA has never previously included a "Forward Pricing Movement" in its LEAC Calculation. The customary approach has been that GPA determines a set fuel price for RFO and Diesel for the projected 6-month LEAC period. In accordance with established PUC procedure, the determination of the

¹⁰ PUC Order, GPA Docket 13-14, dated July 31, 2014.

¹¹ CCU Resolution No. 2019-18, adopted November 26, 2019, at p. 1.

¹² Id., at p. 2.

¹³ GPA Petition to Review and Approve the Execution of the GPA Demand Side Management (DSM) Programs using LEAC Funds, GPA Docket 20-05, dated December 5, 2019.

¹⁴ ALJ Report, GPA Docket 20-03, dated January 27, 2020.

projected fuel prices is always based upon the five-day average of such prices ten days before the PUC Meeting. Inclusion of Forward Pricing has never been a part of the process for determining the LEAC factor for the next six-month period.

16. The PUC should not allow GPA to include "Forward Pricing" in its LEAC determination. Such inclusion is contrary to the established LEAC process. Inclusion of forward pricing would render the specific fuel pricing upon a five-day average meaningless. An estimated forward pricing is highly speculative.
 17. Additionally, "forward pricing" by GPA is unnecessary. GPA already has protection against inordinate price increases during the six-month LEAC period. GPA can file an interim petition for increase in LEAC during the LEAC period where there is a required \$2M threshold increase.¹⁵
 18. Therefore, the calculation of the proper fuel pricing must be determined based upon the updated average of the Morgan Stanley Fuel Forecast prices for the five-day period occurring ten days before the PUC January 30, 2020, meeting date.
 19. With regard to fuel pricing, fuel prices increased considerably after the Consolidated Commission on Utilities approved its LEAC factor in November of 2019. As of the date of CCU approval of the LEAC Factor, November 26, 2019, the Singapore Gasoil price for 10ppm was \$76.63; the Singapore HSFO price for 180CST was \$239.76 per metric ton. As of January 7, 2020, the price for Singapore Gasoil 10ppm had increased to \$81.21 per barrel; the price for Singapore HSFO 180CST had increased to \$336.85 per metric ton.¹⁶ However, more recently, fuel prices again decreased considerably. As of January 17, 2020, the price for Singapore Gasoil 10ppm had decreased to \$75.35 per barrel; the price for Singapore HSFO 180CST had decreased to \$329.55 per metric ton.¹⁷ The lesson from fuel pricing in this docket is that it is extremely volatile.
 20. At this point in time, the ALJ is not yet prepared to recommend to the PUC that it include \$.0021/kWh in the LEAC factor for funding of the DSM program. The ALJ has issued requests for information to GPA concerning the DSM program, the responses to which are outstanding. A true and correct copy of the RFIs are attached to the ALJ Report hereto as Exhibit "1".
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¹⁵ GPA Tariff Z.

¹⁶ Morgan Stanley Asia Morning Call, Price Indications for November 26, 2019 and January 3, 2020.

¹⁷ Morgan Stanley Asia Morning Call, Price Indications for January 17, 2020.

21. Additional time is needed for discussions between GPA and the ALJ before a proper recommendation can be made as to inclusion of DSM costs in the LEAC Factor.
22. On January 17, 2020, Lenora M. Sanz, GPA Controller, provided the ALJ the LEAC Analysis Update. In accordance with the established procedure, the Update provided a five-day average of fuel prices ten days before the PUC Meeting (Forward Pricing from January 13-17, 2020). A true and correct copy thereof is attached to the ALJ Report as Exhibit "2".¹⁸
23. The average fuel prices in the Update are \$59.14 per bbl. RFO and \$85.66 per bbl. Diesel. The recommended LEAC Factor for the next six-month period, Forward pricing (No Movement Up) without DSM, is \$0.134474, nearly two cents per kWh lower than the Factor for the last six-month period. At the end of the next six-month period there will be no under-recovery balance. The new Factor will result in a 12.82% decrease in the LEAC Factor and a 7.94% decrease in the total bill.¹⁹
24. Prices since the GPA Update continue to show the volatility of fuel prices. As of January 24, 2020, the price for Singapore Gasoil 10ppm had decreased to \$73.59 per barrel; however, the price for Singapore HSFO 180CST had increased to \$342.70 per metric ton. Morgan Stanley predicts that fuel prices will be decreasing for the next year into calendar year 2021.²⁰

ORDERING PROVISIONS

After carefully reviewing the record in this proceeding, having considered the LEAC Filing of GPA and the PUC Administrative Law Judge Report, and after discussion at a duly noticed regular meeting held on January 30, 2020, 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 secondary Fuel Recovery Factor of \$0.134474 /kWh shall be effective for meters read on or after February 1, 2020.
2. The current singular LEAC factors are hereby adjusted, effective February 1, 2020, as shown in the following table:

¹⁸ Email from Lenora M. Sanz, GPA Controller, to Frederick J. Horecky, PUC ALJ, dated January 17, 2019.

¹⁹ Id.

²⁰ Morgan Stanley Asia Morning Call, Price Indications for January 24, 2020.

LEAC

Delivery Classification \$ per kWh

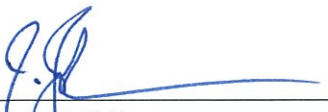
Secondary -	\$ 0.134474
Primary - 13.8 KV	\$ 0.130425
Primary - 34.5 KV	\$ 0.130050
Transmission - 115 KV	\$ 0.128449

For the entire LEAC period, these changes represent a 7.94% decrease in the total bill for a residential customer utilizing an average of 1,000 kilowatt hours per month.

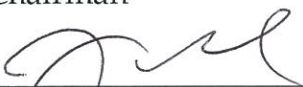
3. GPA should file for a change in the LEAC factors to be effective August 1, 2020, on or before June 15, 2020.
4. As requested by GPA, the forecast of the Working Capital Fund Requirement will remain the same, so there will not be a change in the Working Capital Surcharge for the period of February 1, 2020, through July 31, 2020.
5. GPA shall not include "Forward Pricing Movement" in its future LEAC determinations.
6. Whether DSM funding shall be included shall be determined in GPA Docket 20-06, upon further review by the ALJ and approval by the PUC.
7. 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.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

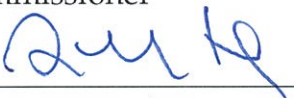
Dated this 30th day of January, 2020.



Jeffrey C. Johnson
Chairman



Joseph M. McDonald
Commissioner




Peter Montinola
Commissioner

Mark Miller
Commissioner



Rowena E. Perez-Camacho
Commissioner



Michael A. Pangelinan
Commissioner

Doris Flores Brooks
Commissioner