BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:	)	GPA Docket 20-13
	)	
The Guam Power Authority Levelized	)	
Energy Adjustment Clause (LEAC)	)	**ALJ REPORT**
	)	
	)	
	)	

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, 2020, for the next six-month period.[1]

2. GPA's Petition filed on May 22, 2020, requested that the Guam PUC maintain a Fuel Recovery Factor at $.089177/kWh for the upcoming LEAC period.[2]

3. However, after GPA completed its updated Morgan Stanley Noon Call Pricing on July 20, 2020, it recognized that there had been a substantial increase in the cost of fuel. GPA filed with the PUC an updated request that the LEAC Factor be set at $0.114568 for the period of August 1, 2020 through January 31, 2021 to fully recover the cost of fuel.[3]

BACKGROUND

4. During the past 6-month LEAC period commencing February 1, 2020, the PUC addressed the LEAC Factor on three occasions as a result of steep declines in fuel prices. During such period, the PUC reduced the LEAC Factor from $0.154242/kWh to $0.086800.[4]

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[1] GPA LEAC Filing, GPA Docket 20-13, filed May 22, 2020.

[2] Id., at p. 1.

[3] Email from Lenora M. Sanz, GPA Controller, to Frederick J. Horecky, PUC ALJ, dated July 20, 2020. See GPA Proposed LEAC Rate, Exhibit "A", attached hereto. Before the LEAC Factor is set for a particular period, GPA is required to provide an updated LEAC fuel forecast price based upon the average of the 5-day period which is 10 days before the meeting at which the PUC determines the LEAC Factor (PUC LEAC Order, GPA Docket 15-27, dated January 25, 2016, at p. 2).

[4] See PUC Order, GPA Docket 20-03, dated January 30, 2020, at p. 5 (reduction of LEAC Factor from $0.154242/kWh to $0.131145/kWh); PUC Order, GPA Docket 20-12, dated March 26, 2020, at p. 3 (reduction of LEAC Factor from $0.134474/kWh to $0.110039/kWh); and PUC Order, GPA Docket 20-12, dated May 28, 2020, at p.4 (reduction of LEAC Factor from $0.110039/kWh to $0.08680/kWh).

5. During the prior LEAC period there was a nearly 50% reduction in the price of fuel. GPA's fuel pricing figures (per barrel) indicated a price of $55.47 for February 2020 and $30.48 for May 2020.[5]

6. On May 21, 2020, the Guam Consolidated Commission on Utilities authorized the General Manager of GPA to seek a proposed secondary voltage LEAC rate of $0.089177/kWh.[6]

7. On May 28, 2020, the PUC set the secondary Fuel Recovery Factor of $0.086800 for the months of June and July, 2020.[7]

ANALYSIS

8. There has been a substantial increase in the price of fuel since May, 2020. Morgan Stanley fuel pricing figures indicates the following:

	May 11	June 1	July 20 (5-day average)
SING HSFO 180CST (per metric ton)	$157.89	$212.85	$253.50
SING Gasoil 10 PPM (per barrel)	$34.66	$41.54	$49.52[8]

9. GPA has also indicated substantial price increases for the average prices per bbl-RFO for the most recent fuel purchases:

May-2020: $30.48[9]
July-2020: $45.28[10]

[5] PUC Order, GPA Docket 20-12, dated May 28, 2020, at p. 2.
[6] Guam Consolidated Commission on Utilities, GPA Resolution No.: 2020-09, dated May 21, 2020.
[7] PUC Order, GPA Docket 20-12, dated May 28, 2020, at p. 2.
[8] These prices are compiled from the Morgan Stanley Asia Morning Call Price Indications dated May 11, 2020, June 1, 2020, and July 9, 13, 14, 15, and 16 five-day average.
[9] GPA Work Session, July 23, 2020 (GM Report, "LEAC Update—GPA Fuel Purchases (Per Barrel)".
[10] See Exhibit A attached hereto, "Average Price per bbl-RFO".

Average prices per bbl-diesel have increased from $51.01 as of May 11, 2020 to $63.50 on July 20, 2020.[11] Thus, there have been market price increases in the cost of fuel of over 25% and actual purchase price increases in the amount of nearly 50%.

10. A second factor that has increased the cost of fuel are price increases in the new contract for Residual Fuel Oil No. 6 for the Baseload Power Generating Plants that GPA has recently negotiated with Hyundai Corporation. If approved by the PUC, that contract, which will be effective on September 1, 2020, will substantially increase Fixed Premium Fee costs for the delivery of residual fuel oil.[12]

11. The Average Fixed Premium Fee for Hyundai Corporation of $105.417/MT ($16.57/bbl) for the 3-year contract period is approximately 44% higher than the current contract average Fixed Premium Fee of $73.227/MT ($11.514/bbl) for the same period. The estimated cost increase in Fixed Premium for the 3-year base period is approximately $27,837,264.[13]

12. The estimated cost increase in the Fixed Premium for the 3-year base period is approximately $27,837,264. This will result in fuel cost increases of over $9M per year, which costs will be included in the fuel prices upon which the LEAC Factor is based.

13. The cost increase in the Fixed Premium Fee will result in an approximate LEAC increase of $0.000618 per kWh.[14]

14. Given the substantial increases in fuel prices, the issue is what appropriate action the PUC should take with regard to the LEAC factor for the next six-month period.

15. After the ALJ received the GPA request for a "full recovery" new LEAC Factor of $0.114568 on July 20, 2020, he asked that GPA calculate the LEAC Factor based upon a 50% recovery of fuel cost.[15] GPA provided the Fuel Clause Reconciliation with a

[11] There prices are compiled from the Morgan Stanley Asia Morning Call Price Indications dated May 11, 2020, and the five-day averages for July 9, 13, 14, 14, and 16.
[12] GPA Petition to Approve the Contract for Residual Fuel Oil No. 6 for the Baseload Power Generating Plants, GPA Docket 20-17, filed July 10, 2020.
[13] CCU Resolution No. 2020-16, Authorizing the Management of the Guam Power Authority to Petition the Public Utilities Commission to Award the Contract for the Supply of Residual Fuel Oil No. 6, adopted July 23, 2020.
[14] Contract Cost Analysis, provided in email from GPA Legal Counsel Graham Botha to PUC ALJ Fred Horecky dated July 22, 2020.
[15] Phone conference between GPA Counsel Graham Botha and PUC ALJ Fred Horecky on July 20, 2020.

50% recovery to the ALJ on the same day, which would set a LEAC Factor of $0.100026.[16]

16. At its July 23, 2020, work session on GPA, the Guam Consolidated Commission on Utilities received an updated report from GM John Benavente on LEAC. GM Benavente presented three possible alternatives regarding PUC LEAC action for the upcoming six-month period: (1) leave the current LEAC rate of $0.086800 in effect; (2) raise the LEAC Factor to $0.114568 for "full recovery"; or (3) provide "50% recovery" with a LEAC Factor of $0.100026. These three scenarios (labelled as A, B, and C respectively), are set forth in the "LEAC-Update" attached hereto as Exhibit "C".[17]

17. Scenario A, maintaining the current LEAC Factor of $0.086800 in effect for the next six-month period, would result in an under-recovery of $16,962,000 by January 31, 2021.[18] The estimated under-recovery at the end of July, 2020, is $3,251,000.[19]

18. In the ALJ's opinion, that level of under-recovery is not acceptable. That level of under-recovery is higher than the previous high for GPA under-recovery, which was $16,775,982, on August 1, 2017.[20] The PUC has taken numerous actions over the past three years to reduce the level of under-recovery and, to the extent possible, reimburse GPA for its actual fuel costs. Maintaining the current LEAC Factor in effect for the next six months would likely result in a huge increase in such factor for ratepayers in the next LEAC period.

19. Scenario B would set the LEAC Factor at $0.114568 for the next six-month period.

20. A LEAC Factor for the next six-month period of $0.114568 is based upon the presumption of full recovery of fuel costs. If the requested LEAC Factor were implemented, GPA would fully recover all costs of fuel and there would be no under-recover balance by January 31, 2021. In theory, the LEAC procedure is designed to recover the full cost of fuel expenses made by GPA.

21. Setting the LEAC Factor at $0.114568 would result in a 31.99% increase in LEAC, and a 15.31% increase in the total bill.[21]

[16] See Exhibit "B" attached hereto.
[17] GPA Work Session, July 23, 2020 (GM Report, "LEAC Update", attached hereto as Exhibit "C".
[18] Id.
[19] GPA Work Session, July 23, 2020 (GM Report,LEAC Under Recovery Balaances.
[20] GPA Work Session, July 23, 2020 (GM Report, "Historic LEAC Over (Under) Recovery.
[21] Exhibit "A" attached hereto.

22. The ALJ believes that setting the factor at that level, with a nearly $0.03 increase per kWh, would be a too substantial and dramatic an increase upon ratepayers, particularly in light of current economic conditions.

23. GPA has often deviated from the "full recovery" principal in order to "lessen the large impact of a LEAC increase upon ratepayers." Rather than recovering 100% of the fuel cost under-recovery in a particular LEAC period, "GPA prefers to gradually true-up the under-recovery by phasing in increases over subsequent LEAC periods."[22]

24. Scenario C would provide a "50% recovery" with a LEAC Factor of $0.100026. GM Benavente indicated at the GPA Work Session on July 23, 2020, that he supported the 50% recovery option with a LEAC Factor of $0.100026 for the next six-month period. The ALJ concurs that Scenario C is the most appropriate option for the PUC to adopt.

25. The GPA Fuel Clause Reconciliation attached hereto as Exhibit "C" indicates that, at a 50% cost recovery for fuel, there would be a 13.23% increase in the LEAC Factor and a 7.29% increase in the total bill. The proposed LEAC Rate Factor, at $0.100026, is attached to the ALJ Report as Exhibit "D".[23] Increasing the LEAC Factor is appropriate based upon the rise in fuel prices. This proposed LEAC Factor is still considerably lower than the $0.15154242/kWh Factor that prevailed in January, 2020.

26. With the adoption of a LEAC Factor of $0.100026, at the end of the LEAC period as of January 31, 2021, GPA estimates that the under-recovery balance will be approximately $8.5M.[24] While such under-recovery balance is still high, it is a better option than allowing the under-recovery to increase to over $16M.

27. GPA has previously accepted LEAC Factors with recovery of 50% of the fuel cost.[25] Mitigation of ratepayer impact is an appropriate factor for GPA and the PUC to consider and implement.[26]

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[22] PUC Counsel Report, GPA Docket 18-05, dated January 29, 2018, at p. 2.
[23] Proposed LEAC Rate, attached hereto as Exhibit "D", provided in an email from GPA Controller Lenora Sanz to PUC ALJ Fred Horecky, dated July 27, 2020.
[24] Email from Lenora M. Sanz, to Frederick J. Horecky, PUC ALJ, dated July 20, 2020.
[25] PUC Order, GPA Docket 18-05, dated January 30, 2018, at p. 2.
[26] Id., at p. 3.

28. In subsequent LEAC periods, the PUC can assess fuel price trends and determine the best approach for reducing the under-recovery.

29. As the PUC has previously determined, because of the economic hardships being experienced by many of GPA's customers during the COVID19 pandemic, it is particularly important at the present time to keep the LEAC Factor as low as possible.[27]

RECOMMENDATION

30. The Administrative Law Judge recommends that PUC approve a LEAC Factor of $0.100026 on meters read on and after August 1, 2020.

31. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 27th day of July, 2020.

Frederick J. Horecky
Chief Administrative Law Judge

[27] PUC Order, GPA's Interim LEAC, GPA Docket 20-12, dated May 28, 2020, at p. 3.

GPA
Proposed LEAC Rate ($000)

	Full Recovery MS Pricing 07.09.20 to 07.16.20 Aug 20- Jan 21
Average Price per Bbl-RFO	$ 45.28
Average Price per Bbl-Diesel	$ 63.50
Number 6 (HSFO/LSFO)	$ 43,410
Number 2 (Diesel)	25,389
Renewable (Solar)	5,706
TOTAL COST	$ 74,505
Handling Costs	6,257
Total Current Fuel Expense	$ 80,762
Civilian Allocation	80.768%
LEAC Current Fuel Expense	$ 65,230
Estimated DSM for this period	$ 1,500
Deferred Fuel Expense at the beginning of the period	3,251
Total LEAC Expense	$ 69,980
Less: Trans. Level Costs	(3,162)
Distribution Level Costs	$ 66,819
Over recovery at the end of the period	$ -
Adjusted Distribution Level Costs	$ 66,819
Distribution Level Sales (mWh)	583,225
LEAC Factor Distribution	0.114568
Current LEAC Factor Distribution	0.086800
Increase/(Decrease)	0.02777
Monthly Increase/(Decrease) - 1000 kWh	$ 27.77
% Increase/(Decrease) in LEAC	31.99%
% Increase/(Decrease) in Total Bill	15.31%
Discount (3%) - Primary 13.8 KV	$ 0.111170
Discount (4%) - 34.5 KV	$ 0.110850
Discount (5%) - 115 KV	$ 0.109485

GUAM POWER AUTHORITY
Fuel Clause Reconciliation

Schedule 1

		Total FY 20	Total FY 21	FY 20 Civilian	FY 21 Civilian	FY 20 Navy
1	Start Date					
2	Total Sales	1,530,056	1,544,252	1,221,890	1,242,760	308,166
3	Daily Sales	4,192	4,231	3,348	3,405	844
4	Plant Use	4.27%	4.27%	142.80	145.24	36.01
5	Transmission Loss	0.31%	0.31%	10.32	10.49	-
5a	Transmission Loss Above 13.8kV	2.25%	2.25%	75.25	76.53	18.98
6	Distribution Loss	3.11%	3.11%	104.20	105.98	-
7	Company Use	0.26%	0.26%	8.83	8.98	2.23
8	Total Daily Demand			3,689.05	3,752.05	901.51

		Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	TOTALS	Total	
9	Month									
10	Days	31	30	31	30	31	31			
		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast			
11	Required Generation-Civilian	114,360	110,671	116,314	112,562	116,314	116,314	686,534	80.768%	
12	Required Generation-Navy	27,947	27,045	27,342	26,460	27,342	27,342	163,477	19.232%	
13	TOTAL REQUIRED GENERATION	142,307	137,717	143,655	139,021	143,655	143,655	850,011		
14	Number 6 (HSFO/LSFO)	$ 6,164,309	$ 6,209,342	$ 7,435,460	$ 7,795,418	$ 7,443,473	$ 8,361,740	$ 43,409,742	Schedule 2	
15	Number 2 (GPA)	4,995,316	3,927,939	4,375,303	3,693,319	4,558,862	3,837,977	25,388,715	Schedule 3	
16	Renewables	700,994	1,023,268	998,634	1,066,070	1,028,832	888,442	5,706,240	Schedule 4	
17	TOTAL COST	$ 11,860,618	$ 11,160,549	$ 12,809,396	$ 12,554,808	$ 13,031,167	$ 13,088,159	$ 74,504,697		
18	Handling Costs	987,517	1,074,927	1,048,942	1,048,747	1,048,607	1,048,588	6,257,329	Schedule 5	
19	TOTAL EXPENSE	$ 12,848,135	$ 12,235,476	$ 13,858,338	$ 13,603,555	$ 14,079,775	$ 14,136,747	$ 80,762,026		
	Calculation of Civilian Factor									
20	Sales-Civilian	105,440	101,344	104,928	100,392	102,206	97,382	611,692		
1a	Sales-At Transmission Level	4,796	4,641	4,796	4,641	4,796	4,796	28,467		
1b	Sales @ 13.8 kV	100,644	96,703	100,132	95,751	97,410	92,586	583,225		
a	Fuel Cost Recovery @ 13.8 kV	$100.026 $ 10,067,061	$ 9,672,846	$ 10,015,803	$ 9,577,583	$ 9,743,595	$ 9,260,993	$ 58,337,882		
b	Fuel Cost Recovery @ "Transmission"	532,656	515,474	532,656	515,474	532,656	532,656	3,161,573		
c	Total Recovery	$ 10,599,718	$ 10,188,320	$ 10,548,460	$ 10,093,057	$ 10,276,251	$ 9,793,649	$ 61,499,454		
22	Civilian Costs (Total Expense x %)	80.768% $ 10,377,143	$ 9,882,312	$ 11,193,060	$ 10,987,277	$ 11,371,909	$ 11,417,925	$ 65,229,627		
a	Deferred Fuel Amort.							0		
23	Under/(Over)	$ (222,575)	$ (306,008)	$ 644,601	$ 894,221	$ 1,095,658	$ 1,624,276	$ 3,730,172		
24	Estimated Under/(Over)									
25	Net Recovery Under/(Over)									
								$ 111.9523	Proposed Rate Without Discount	
26	Proposed Fuel Cost Recovery									
	Estimated DSM for this period	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 1,500,000.00		
	Civilian Clause Reconciliation									
27	Opening Recovery Balance-Jul 31, 2020	$ 3,250,772	$ 3,278,197	$ 3,222,189	$ 4,116,790	$ 5,261,010	$ 6,606,668			
	Under/(Over)	$ (222,575)	$ (306,008)	$ 644,601	$ 894,221	$ 1,095,658	$ 1,624,276	3,730,172		
29	Closing Recovery Balance	$ 3,278,197	$ 3,222,189	$ 4,116,790	$ 5,261,010	$ 6,606,668	$ 8,480,944	(5,230,172)	*Decrease/(Increase) in Deferred Fuel*	
							$ 16,961,888	8,480,944		

Bills Computed at 1000 kWh/month	Current Rates [1]	Current Bill	Rate to fully recover	Increase (Decrease)
Customer Charge $/month	$ 15.00	$ 15.00	$ 15.00	$ -
Non Fuel Energy Charges ($/Kwh)				
Lifeline Usage (500 Kwh)	$ 0.0696	$ 34.78	$ 34.78	$ -
Non Lifeline Usage	$ 0.0869	$ 43.44	$ 43.44	$ -
WaterWell Charge				
Lifeline Usage (500 Kwh)	0.00000	$ -	$ -	$ -
Non Lifeline Usage	0.00279	$ 1.40	$ 1.40	$ -
Insurance Charge	0	$ -	$ -	$ -
WCF Surcharge	0	$ -	$ -	$ -
Roll Back Credit (RBC)	0	$ -	$ -	$ -
Fuel Recovery Charge		$ 86.80	$ 100.03	$ 13.23
TOTAL Bill		$ 181.41	$ 194.63	$ 13.23
Increase (Decrease) From Current Bill			$ 13.23	
Percent Increase (Decrease)			7.29%	
Increase (Decrease) From Current Leac Factor			$ 13.23	
Percent Increase (Decrease)			15.24%	

Adjusted LEAC Rate	Rate to Recover Aug-20	Current Rate Effective Apr-20	
Customer			
Secondary - 13.8 KV	$ 0.100026	$ 0.110039	
Primary 13.8 KV	$ 0.111170	$ 0.106727	111.14%
34.5 KV	$ 0.110850	$ 0.106420	110.82%
115 KV	$ 0.109485	$ 0.105110	109.46%

	Current Rate Effective Feb-20
Customer	
Secondary - 13.8 KV	0.134474
Primary - 13.8 KV	0.130425
34.5 KV	0.130050
115 KV	0.128449

Exhibit "B"

LEAC - Update

	Current	Scenario A - Remain As Is		Scenario B - Full Recovery		Scenario C - 50% Recovery	
	June 1 to July 31	August 1 to Jan. 2021	Variance	August 1 to Jan. 2021	Variance	August 1 to Jan. 2021	Variance
Rate	$ 0.086800	$ 0.086800	$ - 0.0%	$ 0.114568	$ 0.027768 32.0%	$ 0.100026	$ 0.013226 15.2%
(in '000)							
Under Recovery on July 31, 2020	$ 3,251						
Under Recovery on Jan. 31, 2021		$ 16,962		$ -		$ 8,481.00	
Average Price per Bbl-RFO	$ 37.51	$ 44.07		$ 44.07		$ 44.07	
Average Price per Bbl-Diesel	$ 66.51	$ 60.38		$ 60.38		$ 60.38	

Exhibit "C"

GPA
Proposed LEAC Rate ($000)

	Full Recovery MS Pricing 07.09.20 to 07.16.20 Aug 20- Jan 21	50% Recovery MS Pricing 07.09.20 to 07.16.20 Aug 20- Jan 21
Average Price per Bbl-RFO	$ 45.28	$ 45.28
Average Price per Bbl-Diesel	$ 63.50	$ 63.50
Number 6 (HSFO/LSFO)	$ 43,410	$ 43,410
Number 2 (Diesel)	25,389	25,389
Renewable (Solar)	5,706	5,706
TOTAL COST	$ 74,505	$ 74,505
Handling Costs	6,257	6,257
Total Current Fuel Expense	$ 80,762	$ 80,762
Civilian Allocation	80.768%	80.768%
LEAC Current Fuel Expense	$ 65,230	$ 65,230
Estimated DSM for this period	$ 1,500	$ 1,500
Deferred Fuel Expense at the beginning of the period	$ 3,251	$ 3,251
Under		(8,481)
Total LEAC Expense	$ 69,980	$ 61,499
Less: Trans. Level Costs	(3,162)	(3,162)
Distribution Level Costs	$ 66,819	$ 58,338
Over recovery at the end of the period	$ -	$ -
Adjusted Distribution Level Costs	$ 66,819	$ 58,338
Distribution Level Sales (mWh)	583,225	583,225
LEAC Factor Distribution	0.114568	0.100026
Current LEAC Factor Distribution	0.086800	0.086800
Increase/(Decrease)	0.02777	0.01323
Monthly Increase/(Decrease) - 1000 kWh	$ 27.77	$ 13.23
% Increase/(Decrease) in LEAC	31.99%	15.24%
% Increase/(Decrease) in Total Bill	15.31%	7.29%
Discount (3%) - Primary 13.8 KV	$ 0.111170	$ 0.097697
Discount (4%) - 34.5 KV	$ 0.110850	$ 0.097416
Discount (5%) - 115 KV	$ 0.109485	$ 0.096217

Exhibit "D"