**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

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

**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]](#footnote-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]](#footnote-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]](#footnote-3)

**BACKGROUND**

1. 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]](#footnote-4)
2. 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]](#footnote-5)
3. 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]](#footnote-6)
4. On May 28, 2020, the PUC set the secondary Fuel Recovery Factor of $0.086800 for the months of June and July, 2020.[[7]](#footnote-7)
5. The Administrative Law Judge filed his Report in this Docket dated July 27, 2020.[[8]](#footnote-8)

**DETERMINATIONS**

1. In his Report at the PUC Meeting, the Administrative Law Judge outlined three approaches to setting the LEAC Factor that the Commission could take. The first approach would maintain the current LEAC Factor of $0.086800 in effect on and after August 1, 2020. This approach could result in an under-recovery of $16,962,000 by January 31, 2021.[[9]](#footnote-9) The second approach would set the LEAC Factor at $0.114568.However, this Factor would result in a 31.99% increase in LEAC, and a 15.31% increase in the total bill.[[10]](#footnote-10) The third approach would set a Factor of $0.100026. Such Factor would result in a 50% recovery of GPA fuel prices for the LEAC period.
2. The ALJ recommended that the PUC adopt a LEAC Factor of $0.100026. In his opinion, such approach would ensure that GPA recovers at least 50% of the increase in fuel cost. Fuel prices had increased by more than 40% since May; any under-recovery of fuel prices would merely be a debt that ratepayers would have to pay later. At the end of the LEAC period as of January 31, 2021, GPA estimated that the under-recovery balance would be approximately $8.5M. The ALJ indicated that, while such under-recovery balance was still high, it was is a better option than allowing the under-recovery to increase to over $16M.
3. The Commission has the power to exercise its judgment when setting the LEAC Factor. If the LEAC was automatic, there would not be a need to have a Commission addressing the fuel factor. As in 2017, if the under-recovery balance of GPA becomes high, the Commission can subsequently take steps to recover such balance gradually.
4. The Island is in unprecedented dire straits, and increasing power costs at the present time would have an adverse psychological impact on the Island.
5. The present time is simply not appropriate for increasing power bills due to the severe economic impact of the corona virus pandemic upon Guam. Many people have lost their jobs and are receiving unemployment insurance. Tourism and other industries have been adversely impacted.
6. Since the current LEAC Factor of $0.086800 was only set by the PUC two months ago, that Factor should remain in effect for the present time in order to smooth rates and lessen the impact of such rates upon the ratepayers.
7. Neither the Consolidated Commission on Utilities nor its General Manager John Benavente requested any increase in the current LEAC rate. CCU Chairman Joseph Duenas stated at the PUC meeting that the CCU stands by its recommendation that the LEAC rate should be 8.9 cents per kWh, and that it recognized that such recommendation could result in a large under-recovery for GPA of fuel costs. General Manager Benavente indicated that GPA was not seeking any increase in the LEAC factor, but had only submitted updated fuel price information to the PUC for its action.
8. Based upon the foregoing reasons, the LEAC Factor should remain at $0.086800 for the present time.
9. The ALJ is directed to monitor fuel prices on a monthly basis and the amount of any under-recovery in fuel prices by GPA.
10. At its October Meeting, the PUC will review the current LEAC Factor and determine whether such factor continues to be appropriate and the nature and extent of GPA under-recovery of fuel costs.

**ORDERING PROVISIONS**

After carefully reviewing the record in this proceeding, having considered the LEAC Filing of GPA, and the Administrative Law Judge Report, and after discussion at a duly noticed regular meeting held on July 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 $0.086800/kWh shall remain in effect for meters read on or after August 1, 2020.

2. The current singular LEAC factors shall remain in effect on and after August 1, 2020, as shown in the following table:

LEAC

Delivery Classification $ per kWh

Secondary - $0.086800

Primary – 13.8 KV $0.084200

Primary – 34.5 KV $0.083957

Transmission – 115 KV $0.082924

3. 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, 2020, through January 31, 2021.

4. GPA should file for a change in the LEAC factors to be effective February 1,

2021, on or before December 15, 2020.

5. The ALJ is directed to monitor fuel prices on a monthly basis and the amount of any under-recovery in fuel prices by GPA.

6. At its October Meeting, the PUC will review the current LEAC Factor, determine whether such factor continues to be appropriate, and the nature and extent of GPA under-recovery of fuel costs.

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.

Dated this 30th day of July, 2020.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Jeffrey C. Johnson Rowena E. Perez-Camacho

Chairman Commissioner

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Joseph M. McDonald Michael A. Pangelinan

Commissioner Commissioner

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Peter Montinola Doris Flores Brooks

Commissioner Commissioner

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Pedro S.N. Guerrero

Commissioner

1. GPA LEAC Filing, GPA Docket 20-13, filed May 22, 2020. [↑](#footnote-ref-1)
2. Id., at p. 1. [↑](#footnote-ref-2)
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 to the ALJ Report. 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). [↑](#footnote-ref-3)
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). [↑](#footnote-ref-4)
5. PUC Order, GPA Docket 20-12, dated May 28, 2020, at p. 2. [↑](#footnote-ref-5)
6. Guam Consolidated Commission on Utilities, GPA Resolution No.: 2020-09, dated May 21, 2020. [↑](#footnote-ref-6)
7. PUC Order, GPA Docket 20-12, dated May 28, 2020, at p. 2. [↑](#footnote-ref-7)
8. ALJ Report, GPA Docket 20-13, dated July 27, 2020. [↑](#footnote-ref-8)
9. Id. [↑](#footnote-ref-9)
10. Exhibit “A” attached to the ALJ Report. [↑](#footnote-ref-10)