

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF: ) GPA Docket 21-04  
)  
Guam Power Authority Levelized Energy )  
Adjustment Clause (LEAC) ) **ORDER**  
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INTRODUCTION

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, 2021, for the next six-month period.<sup>1</sup> In its Petition, GPA seeks to maintain the Fuel Recovery Factor at \$.086800/kWh effective for meters read on or after February 1, 2021. The change would reflect “no increase” in the LEAC factor and no increase for a residential customer utilizing an average of 1,000 kilowatt hours per month.<sup>2</sup>

If the current LEAC Factor is maintained at \$.086800/kWh for the next six-months, GPA initially projected that there would be an under-recovery of \$30.5M by July 31, 2021.<sup>3</sup> To offset 50% of the projected under-recovery (i.e. \$15M), “GPA has identified \$5M internally funded CIP to be delayed in FY2021, and GPA proposes a \$10M withdrawal from the self-insurance fund that could be refunded by activating the self-insurance surcharge beginning August 1, 2021, to fully restore the fund back to \$20M over a five year period.”<sup>4</sup> GPA’s withdrawal of \$10M from the self-insurance fund would be refunded by activating the self-insurance surcharge beginning August 1, 2021, to restore

<sup>1</sup> GPA LEAC Filing, GPA Docket 21-04, dated December 4, 2020.

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

<sup>3</sup> Id.

<sup>4</sup> Id.



the self-insurance fund to its current \$20M balance, over a five year period.<sup>5</sup> GPA's updated fuel price figures in January 2021 indicates that the under-recovery will actually be \$42.9M due to a 50% increase in fuel prices.<sup>6</sup>

### **BACKGROUND**

During the last LEAC period from February 1, 2020, through July 31, 2020, the PUC reduced the LEAC factor on three occasions because of steep declines in fuel prices. During such period, the PUC reduced the LEAC Factor by nearly 50%, from \$0.154242/kWh to \$0.086800 /kWh.<sup>7</sup> At its meeting on July 30, 2020, the PUC maintained the same LEAC Factor of \$0.086800 for meters read on or after August 1, 2020, through January 31, 2021.<sup>8</sup> The Commissioners determined that, because of the impact of the corona virus pandemic upon Guam and its ratepayers, that it was not appropriate to increase power bills at that time. The LEAC Factor of \$0.086800 was allowed to remain in effect in order "to smooth rates and lessen the impact of such rates upon the ratepayers."<sup>9</sup>

Regarding setting the new LEAC Factor for the upcoming six-month period, GPA initially proposed that, for the LEAC period of February 1, 2021 through July 31, 2021, the Factor be increased from \$0.086800/kWh to \$0.111653/kWh.<sup>10</sup> Such was GPA's initial proposal to the Consolidated Commission on Utilities at its Regular Meeting on

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<sup>5</sup> Id., at p. 2.

<sup>6</sup> Email from GPA CFO John Kim to PUC ALJ Fred Horecky re: Proposed LEAC, dated January 19, 2021.

<sup>7</sup> 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).

<sup>8</sup> PUC Order, GPA Docket 20-13, dated July 30, 2020, at p. 4.

<sup>9</sup> Id., at p. 3.

<sup>10</sup> GPA Issues for Decision Relative to LEAC, included in the CCU Regular Meeting Packet for November 24, 2020.



November 24, 2020. That increase would constitute a 28.63% increase from the current LEAC rate. However, the Consolidated Commission on Utilities “ordered” GPA “to seek ways to mitigate LEAC increase in order to further assist ratepayers during this pandemic period...”<sup>11</sup> The CCU determined that it would leave the LEAC Factor at \$0.086800kWh for the six-month period commencing February 1, 2021; to “offset” 50% of the total projected under-recovery of \$30M, the CCU authorized GPA to use \$10M of the Self-insurance fund to off-set the projected LEAC under-recovery and to reduce the internally funded CIP budget by \$5M in FY’2021 to be used to off-set the projected LEAC under-recovery.<sup>12</sup>

The ALJ filed his Report dated January 25, 2020.<sup>13</sup>

### DETERMINATIONS

1. The GPA/CCU Offer to withdraw \$10M from the Self Insurance Fund and offset that Amount against the LEAC Under-Recovery should be accepted and ordered.

The GPA Petition stated that \$10M from the Self Insurance Fund should be offset against the LEAC Under-Recovery. The purposes of the Self Insurance Program are stated in the Protocols [“SIPP”]. Protocol 1 indicates that the SIP was established principally to reimburse GPA for “losses resulting from hazards such as accidents, explosions, fires, floods, storms, wind events, cyclones, typhoons, earthquakes, tsunami’s, natural disaster, equipment failures, **and similar events...**”.

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<sup>11</sup> CCU Resolution No. 2020-24, authorizing the Management of the Guam Power Authority to Petition the Guam Public Utilities Commission for No Change in the Levelized Energy Adjustment Clause, approved December 24, 2020, at p. 2.

<sup>12</sup> Id., at pgs. 2-3.

<sup>13</sup> ALJ Report, GPA Docket 21-04, dated January 25, 2020.



The language "similar events" is broad and could be extended to the present corona virus pandemic prevalent in Guam. Application of Self Insurance funds to the Under-Recovery will benefit ratepayers. When the Self-Insurance funds are withdrawn, and the total withdrawal brings the fund below \$18M, GPA shall be authorized to immediately reinstitute the Self Insurance surcharge to ratepayers in accordance with the SIPP (Protocols).

At the PUC Meeting, GPA General Manager John Benavente stated that the GPA system had been strengthened and hardened since the typhoons in the early 2000s. Now it would not likely be as difficult to repair the system after a typhoon, and it would not be necessary to use the same level of funds from the Self Insurance Fund.

2. The GPA/CCU Offer to withdraw \$5M from the internally funded Capital Improvement Project Funds and offset that Amount against the LEAC Under-Recovery should be accepted and ordered.

The offsetting of CIP funds against the LEAC Under-recovery will benefit ratepayers and lessen the need to raise the LEAC to a higher level.

3. Establishing A Fuel Recovery Factor of \$0.086800/kWh would provide insufficient customer rates to pay for GPA's actual fuel costs in the upcoming LEAC period.

GPA's own Petition demonstrates that maintaining the LEAC Factor at \$.086800/kWh for the next six-months would result in an under-recovery on July 31, 2021 of \$30.3M.<sup>14</sup> The highest previous under-recovery level was \$16.775M in August 2017. It took

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<sup>14</sup> GPA LEAC Filing, GPA Docket 21-04, dated December 4, 2020.



approximately two and one-half years of increases in the LEAC Factors to recover such amount.<sup>15</sup>

Fuel oil price figures cited in CCU Resolution No. 2020-24 prove that maintaining the LEAC factor of \$.086800/kWh is entirely inadequate to recover the actual cost of GPA's fuel oil, or even to recover any of the present under-recovery of over \$15M. In fact, maintaining the LEAC Factor at \$.086800kWh for the next six months will essentially double the present under-recovery of GPA to the level of \$30.3M.<sup>16</sup>

The average market price of residual fuel oil and diesel used in the initial GPA filing for the current LEAC period was \$39.30/bbl. for the six-month period ending January 31, 2021. However, the current projection for the same period now is \$48.50/bbl. This means that fuel price used to calculate the LEAC Factor in the last six months was far too low. Ratepayers were not charged adequate amounts through LEAC to recover fuel prices. The projected average price of residual fuel oil and diesel for the period ending July 31, 2021 is expected to reach \$53.82/bbl. It makes no sense to maintain the current low LEAC factor in a period where fuel oil and diesel prices have been rising rapidly.

Since the LEAC Factor of \$.086800kWh was approved for meters read on and after June 1, 2020, there has been a substantial increase in the prices of residual fuel oil and diesel fuel. Morgan Stanley fuel oil pricing figures indicate the following:

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<sup>15</sup> Historical LEAC Over (Under) Recovery, CCU Regular Meeting Packet, November 24, 2020.

<sup>16</sup> CCU Resolution No. 2020-24 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 on November 24, 2020, at p. 2.



	June 1, 2020	August 4, 2020	November 4, 2020	January 13, 2021
SING HSFO 180 CST (per metric ton)	\$212.85	\$258.12	\$266.48	\$342.82
SING Gasoil 10 PPM (per barrel)	\$41.54	\$49.13	\$43.91	\$61.91 <sup>17</sup>

Thus, since June 1, 2020, the price of SING HSFO 180 CST has increased by over 61%. The Gasoil 10 PPM price has increased by over 49%. Yet, GPA now proposes to maintain the LEAC Factor at the same level which it was on June 1, 2020. The PUC should not maintain a LEAC Factor that is inadequate to pay the rising costs of fuel.

During the PUC Meeting on January 28, 2021, both GPA GM John Benavente and CCU Chairman Joey Duenas voiced their concerns about the dramatic increases in fuel prices and GPA's ability to continue to pay for fuel. They did not object to an increase in the LEAC Factor.

4. If the LEAC Factor is not increased now, Ratepayers will face even more substantial LEAC Increases in the Future.

"Kicking the can down the road" is not in the interest of ratepayers. Future increases will only be more severe and prolonged. The "under-recovery" hole will only get

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<sup>17</sup> These prices are compiled from the Morgan Stanley Asia Morning Call Price Indications dated June 1, 2020, August 14, 2020, November 4, 2020, and January 6, 2021.



deeper and deeper. It can already be contemplated that increases will be required over the next few LEAC periods unless fuel prices unexpectedly decline.

The appropriate process is for the PUC to charge ratepayers for the costs of fuel that GPA purchases, using the most current fuel price estimates. Under Tariff Z, ratepayers are required to be billed for the costs of fuel, and to reimburse GPA for such fuel costs as a pass through. The PUC must remain true to the guiding principles of LEAC and the determination of such Factor in accordance with Rate Schedule "Z".

Since at least August 2020, ratepayers have been billed at a LEAC Factor rate that does not cover GPA' fuel costs. It should be remembered that, as recently as January 30, 2020, the LEAC Factor was \$0.154242/kWh. For the months of February and March 2020, the LEAC Factor was \$0.131145/kWh. For April and May 2020, the LEAC Factor was \$0.110039/kWh. For June and July 2020, and continuing up to the present time, the LEAC Factor was reduced to 0.086800/kWh. Ratepayers should expect that, during times of rapidly increasing fuel prices, the LEAC Factor must again be increased.

5. The LEAC Factor for the next six months should be increased to \$0.110000 per kWh.

GPA had initially proposed raising the LEAC Factor for the next six-month period to \$0.111653/kWh. In accordance with established LEAC procedure, GPA always updates the residual fuel oil and diesel prices for the five-day period ten days before the PUC meeting. On December 18, 2020, the ALJ requested that GPA CFO John Kim provide an updated average of the Morgan Stanley Fuel Forecast prices for the five-day



period occurring ten days before the PUC January 28, 2021, meeting date.<sup>18</sup> On January 19, 2021, CFO Kim provided the updated fuel prices.<sup>19</sup>

In accordance with the Morgan Stanley fuel pricing from January 11, 2021, to January 15, 2021, the average price per bbl. RFO was \$60.61; the average price for bbl. Diesel was \$71.13. The average market price of residual fuel oil and diesel used in the GPA filing for the current LEAC (August 1, 2020-January 31, 2021) was roughly \$40 per bbl. There has been a 50% increase in fuel oil prices since the beginning of the last LEAC period. As previously indicated in this Report, similar increases in fuel prices of 50% and greater were reflected in the SING HSFO 180 CFD and SING Gasoil 10 PPM prices.

To fully recover fuel costs for this upcoming LEAC period, without any offsets, the LEAC factor would have to be set at \$0.157233. If the PUC adopts a 50% recovery factor of \$0.122016, without any offsets, the total under-recovery as of July 31, 2021 would be \$21,451,000. See Proposed LEAC Rate, Feb. 21-Jul. 21, attached to the ALJ Report as Exhibit "1". If the PUC decided to maintain a LEAC Factor of \$0.086800 for the upcoming LEAC period, without any offsets, the Commission would have to raise the LEAC factor to \$0.210740 for the next LEAC period from August 21-Jan. 22 to fully recover the under-recovery. See Proposed LEAC Rate for August 2021 – January 2022, attached to the ALJ Report as Exhibit "2".

However, with the \$15M offsets against the LEAC under-recovery that GPA has proposed, and the increase in the LEAC Factor to \$.110000, the under-recovery as of July 31, 2021, is projected to be in the range of \$13-15M. An increase in the LEAC Factor to \$.110000 will result in an approximate 30% recovery of the under-recovery amount.

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<sup>18</sup> Email from ALJ Horecky to GPA CFO Kim, dated December 18, 2020.

<sup>19</sup> Email from GPA CFO John Kim dated January 19, 2021.



Attached hereto as Exhibit "A" are the approved LEAC Factors that will be in effect for meters read on and after February 1, 2021.

### **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 January 28, 2021, 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 \$0.110000/kWh shall be effective for meters read on or after February 1, 2021.
2. The current singular LEAC factors are hereby adjusted, effective February 1, 2021, as shown in the following table:

#### LEAC

Delivery Classification	\$ per kWh
Secondary -	\$0.110000
Primary – 13.8 KV	\$0.106891
Primary – 34.5 KV	\$0.106854
Transmission – 115 KV	\$0.105271

For the entire LEAC period, these changes represent an increase in the total bill of the average residential customer of 12.79%.

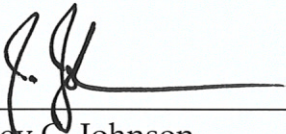


3. As requested by GPA, the forecast of the Working Capital Fund Requirement will remain the same, so there will not be a change in the Working Capital Surcharge for the period of February 1, 2021, through July 31, 2021.
4. GPA should file for a change in the LEAC factors to be effective August 1, 2021, on or before June 15, 2021.
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.

[SIGNATURES TO FOLLOW ON NEXT PAGE]




Dated this 28th day of January 2021.



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Jeffrey C. Johnson  
Chairman



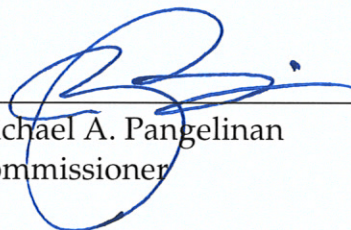
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Rowena E. Perez-Camacho  
Commissioner



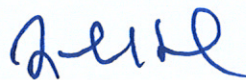
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Joseph M. McDonald  
Commissioner



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Michael A. Pangelinan  
Commissioner



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Peter Montinola  
Commissioner

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Doris Flores Brooks  
Commissioner

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Pedro S.N. Guerrero  
Commissioner



**GPA**

**Proposed LEAC Rate (\$000)**

<b>As PUC Approved</b>	
<b>MS Pricing 10.29.20 to 11.04.20 Feb 21- Jul 21</b>	
Average Price per Bbl-RFO	\$ 60.61
Average Price per Bbl-Diesel	\$ 71.13
Number 6 (HSFO/LSFO)	\$ 49,796
Number 2 (Diesel)	37,869
Renewable (Solar)	4,690
<b>TOTAL COST</b>	<b>\$ 92,355</b>
Handling Costs	6,443
Total Current Fuel Expense	\$ 98,799
Civilian Allocation	80.530%
LEAC Current Fuel Expense	\$ 79,563
Estimated DSM for this period	\$ 1,500
Deferred Fuel Expense at the beginning of the period	14,709
Total LEAC Expense	\$ 95,772
Less: Trans. Level Costs	(3,377)
Distribution Level Costs	\$ 92,395
Over recovery at the end of the period	\$ (28,764)
Adjusted Distribution Level Costs	\$ 63,631
Distribution Level Sales (mWh)	578,459
LEAC Factor Distribution	0.110000
Current LEAC Factor Distribution	0.086800
Increase/(Decrease)	0.02320
Monthly Increase/(Decrease) - 1000 kWh	\$ 23.20
% Increase/(Decrease) in LEAC	26.73%
% Increase/(Decrease) in Total Bill	12.79%
Discount (3%) - Primary 13.8 KV	\$ 0.106891
Discount (4%) - 34.5 KV	\$ 0.106583
Discount (5%) - 115 KV	\$ 0.105271