

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 21-14
)
Guam Power Authority Levelized Energy)
Adjustment Clause (LEAC)) **ORDER**
)
)
_____)



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 August 1, 2021, for the next six-month period.¹ In its Petition, GPA sought to increase the Fuel Recovery Factor from \$0.11000/kWh to \$0.167564/kWh effective for meters read on or after August 1, 2021.² The change would reflect a 52.33% increase in the LEAC Factor and a 28.13% increase in the Total Bill.³

GPA states that “[T]he basis for the LEAC filing is due primarily to the continuing increase in worldwide fuel prices. GPA believes that the market will increase to the \$77.36/bbl. range during the period.”⁴

BACKGROUND

From February 1, 2021, through July 31, 2021, the PUC established the current LEAC Factor of \$0.110000/kWh.⁵

¹ GPA LEAC Filing, GPA Docket 21-14, dated June 10, 2021.

² Id., at p. 1.

³ Guam Consolidated Commission on Utilities, Resolution No. 2021-12, Authorizing the Management of the Guam Power Authority to Petition the Guam Public Utilities Commission for a Change in the Levelized Energy Adjustment Clause, adopted and approved on May 25, 2021, Exhibit “A”.

⁴ Id.

⁵ PUC Order, GPA Docket 21-04, dated January 28, 2021, at p. 9.

On January 28, 2021, the PUC authorized GPA to withdraw \$10M from the Self Insurance Fund to offset against the LEAC Under-Recovery.⁶ The PUC also authorized GPA to withdraw \$5M from the internally funded Capital Improvement Project Funds and to offset such amount against the LEAC Under-Recovery.⁷

For the upcoming LEAC period, GPA intends to apply the \$10M and \$5M for self-insurance and CIP funds to the LEAC Under-Recovery. Thus, the under-recovery balance as of August 1, 2021, will be \$15M. If the PUC raises the LEAC rate from \$0.11000/kWh to \$0.167564/kWh effective August 1, 2021, the estimated Under-Recovery as of January 31, 2022, would be \$7.5M.⁸

In Resolution No. 2021-12, the Guam Consolidated Commission on Utilities authorized the General Manager of the Guam Power Authority to petition the PUC for the proposed secondary voltage LEAC rate of \$0.167564/kWh effective for the period from August 1, 2021, to January 31, 2022.⁹

The ALJ filed his Report herein dated June 26, 2021.¹⁰

DETERMINATIONS

- I. An Increase in the LEAC Factor is justified because of the Drastic Rise in Fuel Oil Prices.

⁶ Id., at p. 3.

⁷ Id., at p. 4.

⁸ GPA LEAC Filing, GPA Docket 21-14, dated June 10, 2021, at p. 1.

⁹ Guam Consolidated Commission on Utilities, Resolution No. 2021-12, Authorizing the Management of the Guam Power Authority to Petition the Guam Public Utilities Commission for a Change in the Levelized Energy Adjustment Clause, adopted and approved on May 25, 2021.

¹⁰ ALJ Report, GPA Docket 21-14, dated July 26, 2021.

The present LEAC Factor of \$0.11000/kWh has not been adequate to pay for GPA's full fuel costs. As of January 31, 2021, the Under-Recovery balance was \$13,230,995. At the time GPA filed its Petition, the Under-Recovery Balance has risen to approximately \$30,379,234 as of July 31, 2021.¹¹

The following chart shows the dramatic increase in fuel oil pricing reflected by the Morgan Stanley pricing figures over the past nine months:

	November 4, 2020	February 1, 2021	April 5, 2021	May 12, 2021	July 16, 2021
SING HSFO 180 CST (per metric ton)	\$266.48	\$329.73	\$371.40	\$388.69	\$413.64
SING Gasoil 10 PPM (per barrel)	\$43.91	\$60.89	\$67.80	\$73.84	\$78.54

It appears that there has been a roughly 25%-28% increase in fuel prices during the present LEAC period. In terms of prices paid by GPA for RFO per barrel, prices rose from \$57.28 per barrel in November 2020 to \$59.15 per barrel in January 2021, and to \$74.92 per barrel in May 2021.¹² GPA anticipates that the average price barrel for RFO for the upcoming LEAC period from August 2021 through January 2022 will be \$75.14 per barrel; the average price per Bbl for Diesel will be \$83.93.¹³

¹¹ CCU Resolution No. 2021-12, Exhibit "A", at LEAC Update-Historical LEAC Over/(Under) Recovery.

¹² CCU Resolution No. 2021-12, Exhibit "A" [LEAC Update-GPA RFO Purchases (per Barrel)].

¹³ Id.

That fuel prices have been rapidly rising is also evident from the spike in gasoline prices experienced by the automobile drivers of Guam. Attached to the ALJ Report as Exhibit "3" is a chart indicating illustrative gas prices per gallon for regular gas. Since January of this year, gas prices have risen over \$.84 per gallon.

II. Based upon its Petition, GPA has established that the LEAC Factor should be increased.

Under the proposal in GPA's Petition, the \$15M of Capex and Self-Insurance Funds would be applied as of February 1, 2021, to leave a \$15M Under-Recovery.¹⁴ The LEAC Factor of \$0.167564 would result in a remaining under-recover of \$7.5M as of January 31, 2022, thus constituting a 50% recovery of the under-recovery balance. GPA viewed such proposal as a middle ground which would reduce the under-recovery balance and mitigate ratepayer impact.

To assist ratepayers, GPA will be utilizing non-fuel revenues of \$15M to offset the ratepayer impact. There is no solution under which GPA can avoid an increase in LEAC.

III. Updated Fuel Pricing indicates that there has been an additional increase in fuel prices since May 2021.

¹⁴ When GPA withdraws \$10M from the Self Insurance Funds, it will be required to reinstitute the Ratepayer Self Insurance Surcharge, effective August 1, 2021. Protocol IX of the SIPP states: "The Self Insurance Surcharge will remain in effect until the amount in the SIP Reserve reaches the SIP Reserve Cap and shall be reinstituted at any time the balance in the SIP Reserve thereafter falls to less than \$18,000,000." Effective August 1, 2021, according to GPA CFO John Kim, ratepayers using 1,000 kWh will be charged \$2.90 per month under the Self Insurance Surcharge, and higher amounts to Commercial and Government classes based upon usage. The Surcharge would remain in effect from August 1, 2021, to March 31, 2024.

Since May 12 alone, fuel prices for HSFO and Diesel have increased by roughly 6.4%.

In accordance with the established PUC LEAC procedure, GPA CFO John Kim submitted the updated Morgan Stanley Fuel Pricing to PUC on July 20, 2021.¹⁵ The updated fuel prices result in an estimated fuel price increase for the next six months from \$75.14 per Bbl-RFO to \$77.16, and from \$83.93 per Bbl-Diesel to \$89.35.

GPA also submitted an alternate calculation, which would set a LEAC Factor of \$0.171458 (see Exhibit "5" attached to the ALJ Report); such a Factor would result in an Under-Recovery of \$10M as of January 31, 2021.¹⁶ The change would reflect a 56% increase in the LEAC Factor and a 30.04% increase in the Total Bill.

IV. The PUC will adopt the Three Step LEAC Proposal submitted by GPA at the July 29 PUC Meeting.

At the July 29, 2021, PUC Meeting, GPA submitted a three step LEAC Factor increase proposal to the PUC. Copies of such Proposal are attached hereto as Exhibit "1".

Ratepayers will be able to accommodate such gradual increases more readily than one substantial increase which raises the LEAC Factor over 50% and the total Bill by over 30%. The PUC finds that the immediate raising of the LEAC Factor to \$0.167564 or \$0.171458/kWh would be too great a financial impact on ratepayers given economic conditions caused by the COVID pandemic.

¹⁵ Emails from GPA CFO John Kim to PUC ALJ Fred Horecky dated July 20, 2021.

¹⁶ Proposed LEAC Rate, Exhibit 5 attached to the ALJ Report (Email from GPA CFO John Kim to PUC ALJ Fred Horecky dated July 22, 2021).

GPA General John Benavente confirmed that GPA is comfortable with the implementation of this three step LEAC proposal. Governor of Guam Lou Leon Guerrero has stated that she plans to give \$15M in pandemic cash relief to GPA.¹⁷ These funds could be used to reduce GPA's fuel cost Under-Recovery Balance. The payment of \$15M to GPA would result in a lowering of the Under-Recovery Balance to \$7M.¹⁸ Based upon these factors, the PUC believes that the three-step proposal should supply sufficient revenues to GPA for fuel costs.

The secondary Fuel Recovery (LEAC) Factor of \$0.130400/kWh shall be effective for meters read on or after August 1, 2021. The secondary Fuel Recovery (LEAC) Factor of \$0.150800/kWh shall be effective for meters read on or after October 1, 2021. The secondary Fuel Recovery (LEAC) Factor of \$0.171458/kWh shall be effective for meters read on or after December 1, 2021.

For the increase effective August 1, 2021, it represents a monthly increase in the total bill of the average residential customer of \$20.40 and 10%. For the increase effective October 1, 2021, it represents a monthly increase in the total bill of the average residential customer of \$20.40 and 9.1%. For the increase effective December 1, 2021, it represents a monthly increase in the total bill of the average residential customer of \$20.66 and 8.4%.¹⁹

¹⁷ Pacific Daily News, July 29, 2021.

¹⁸ See Exhibit "1".

¹⁹ Id.

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 29, 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 (LEAC) Factor of \$0.130400/kWh shall be effective for meters read on or after August 1, 2021. The secondary Fuel Recovery (LEAC) Factor of \$0.150800/kWh shall be effective for meters read on or after October 1, 2021. The secondary Fuel Recovery (LEAC) Factor of \$0.171458/kWh shall be effective for meters read on or after December 1, 2021.
2. The current singular LEAC factors are hereby adjusted, commencing on August 1, 2021, and thereafter as shown in the following table:

	First 2 months	Second 2 months	Third 2 months
Secondary - 13.8 KV	0.130400	0.150800	0.171458
Primary - 13.8 KV	0.126501	0.146291	0.166332
34.5 KV	0.126137	0.145870	0.165853
115 KV	0.124584	0.144074	0.163811

3. GPA shall apply \$10M from the SIP Fund and \$5M from CIP Funds as of August 1, 2021, to off-set the LEAC Under-Recovery Balance.

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 August 1, 2021, through January 31, 2022.
5. GPA reserves the right, under Tariff Z, to modify the rates ordered herein should the LEAC under-recovery balance increase or decrease by more than \$2M.
6. GPA should file for a change in the LEAC factors to be effective February 1, 2022, on or before December 15, 2021.
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]

3 Step Increase - \$0.171458

Updated Fuel Price 7.12.21 - 7.16.21

Effective Date	2/1/2021	8/1/2021	10/1/2021	12/1/2021
	Current LEAC	Step 1	Step 2	Step 3

LEAC Rate \$ 0.110000 \$ 0.130400 \$ 0.150800 \$ 0.171458

LEAC Under Recovery Ending (in million)	7/31/2021	9/30/2021	11/30/2021	1/31/2022
Beginning \$	13.2	\$ 17.1	\$ 21.7	\$ 23.8
Increase	18.9	4.6	2.13	
Decrease	(15.0)	-	-	(1.9)
Total \$	17.1	\$ 21.7	\$ 23.8	\$ 22.0

(After \$5 Capex & \$10 Self Insurance)

GovGuam Contributed \$15

Residential Bill Impact	2/1/2021	8/1/2021	10/1/2021	12/1/2021
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(Consumption at 1,000 kWh)

Non-Fuel \$	94.61	\$ 94.61	\$ 94.61	\$ 94.61
Fuel \$	110.00	\$ 130.40	\$ 150.80	\$ 171.46
Total Bill \$	204.61	\$ 225.01	\$ 245.41	\$ 266.07

\$ Increase	\$	20.40	\$ 20.40	\$ 20.66
% Increase		10.0%	9.1%	8.4%
			10.0%	10.1%

\$ 61.46
27.5%
30.0%

3 Step Increase - \$0.171458
Updated Fuel Price 7.12.21 - 7.16.21

Effective Date	2/1/2021	8/1/2021	10/1/2021	12/1/2021
	Current LEAC	Step 1	Step 2	Step 3

LEAC Rate \$ 0.110000 \$ 0.130400 \$ 0.150800 \$ 0.171458

LEAC Under Recovery Ending (in million)	7/31/2021	9/30/2021	11/30/2021	1/31/2022
Beginning \$	13.2	17.1	21.7	8.8
Increase	18.9	4.6	2.13	
Decrease	(15.0)	-	(15.00)	(1.9)
Total \$	17.1	21.7	8.8	7.0

(After \$5 Capex & \$10 Self Insurance)


GovGuam Contributed \$15

Residential Bill Impact	2/1/2021	8/1/2021	10/1/2021	12/1/2021
(Consumption at 1,000 kWh)				
Non-Fuel \$	94.61	94.61	94.61	94.61
Fuel \$	110.00	130.40	150.80	171.46
Total Bill \$	204.61	225.01	245.41	266.07
\$ Increase	\$	20.40	20.40	20.66
% Increase		10.0%	9.1%	8.4%
			10.0%	10.1%


\$ 61.46
27.5%
30.0%

Order
GPA's LEAC
GPA Docket 21-14
July 29, 2021

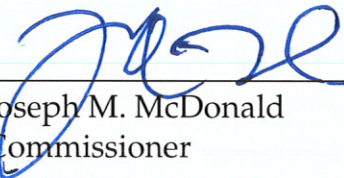
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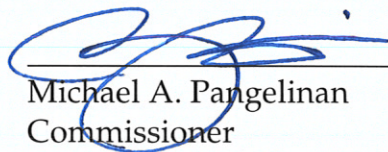
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