

## BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF: ) GPA Docket 22-15  
)  
Guam Power Authority Levelized Energy )  
Adjustment Clause (LEAC) ) **ALJ REPORT**  
)  
)  
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## REVIEW OF THE LEAC FUEL RECOVERY FACTOR

### INTRODUCTION

In June of this year, the Guam Power Authority ["GPA"] sought a 3-step increase in the LEAC fuel recovery factor. It requested a first increase to \$0.251638 for meters of the average residential customer, read on or after July 1, 2022. It requested a second increase to \$0.296043 effective September 1, 2022 and a third increase to \$0.342338 effective November 1, 2022.<sup>1</sup>

In its Order dated June 16, 2022, the Guam Public Utilities Commission ["PUC"] approved an increase in the LEAC factor to \$0.251638/kWh effective July 1, 2022, and an second increase in the factor to \$0.296043/kWh effective September 1, 2022.<sup>2</sup> However, the PUC declined to grant the request by GPA to increase the LEAC factor to \$0.342338 effective November 1, 2022. Instead, the PUC determined that:

At its meeting on October 27, 2022, the PUC will consider whether there is a need to increase the LEAC Factor further for the period of November 1, 2022, to January 31, 2023.<sup>3</sup>

<sup>1</sup> PUC Order, In the Matter of: Guam Power Authority Levelized Energy Adjustment Clause (LEAC), GPA Docket 25-15, dated June 16, 2022, at p. 1.

<sup>2</sup> Id., at p. 8.

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



### **UPDATED FILING OF GPA**

Attached hereto as Exhibit "A" is the GPA Proposed LEAC Rate (Prepared 10/21/2022). It indicates that if the current LEAC factor of \$0.296043 (i.e., the "status quo") is maintained from November 1, 2022, through January 31, 2023, the "Closing Recovery Balance", or "under-recovery", as of January 31, 2023, will be roughly \$41M.<sup>4</sup> The under-recovery is the balance of the amount that ratepayers owe to GPA to fully reimburse fuel costs. If the LEAC factor is increased to \$0.342338 effective November 1, 2022, the LEAC under-recovery will decline to \$27M by January 31, 2023.<sup>5</sup> If the LEAC factor is increased to a lesser amount of \$0.318576 effective November 1, 2022, the LEAC under-recovery will decline to \$34M by January 31, 2023.<sup>6</sup>

On October 20, 2022, GPA General Manager John Benavente submitted his "LEAC Information, Amended GM Report", to the Commissioners of the Guam Consolidated Commission on Utilities, for the GPA Work Session. A copy of the Report is attached hereto as Exhibit "B".<sup>7</sup>

### **ANALYSIS**

#### **1. PUC Options**

In this review, there appear to be three options for the PUC. Initially, decreasing the LEAC factor does not appear to be a reasonable option. A decrease below \$0.29 would increase the amount of the under-recovery beyond \$41M. The under-recovery reached

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<sup>4</sup> GPA Proposed LEAC Rate (Prepared 10/21/2022), submitted in email from GPA Legal Counsel Graham Botha to PUC ALJ Fred Horecky dated October 21, 2022.

<sup>5</sup> Id.

<sup>6</sup> Id.

<sup>7</sup> "LEAC Information, Amended GM Report, submitted by GPA General Manager John Benavente on October 20, 2022, to the Commissioners of the Guam Consolidated Commission on Utilities, for the GPA Work Session, submitted in email from GPA Legal Counsel Graham Botha to PUC ALJ Fred Horecky dated October 21, 2022.



a high of \$47M in August, 2022<sup>8</sup>; however, prior to this year, the under-recovery had never reached levels into the mid-\$30M to \$47M range. These levels of under-recovery are unprecedented and unacceptable. If they are allowed to continue, such a large under-recovery could possibly impact the ability of GPA to pay for its future fuel shipments. In accordance with Tariff Z, GPA is entitled to recover the full fuel recovery charge for amounts expended for fuel.<sup>9</sup>

One option would be for the PUC to leave the LEAC at \$0.29 through January 31, 2023. However, the under-recovery would remain at \$41M. This option would merely postpone what would likely be an inevitable increase for the LEAC period commencing February 1, 2023, and probably a higher increase than is now being requested. Leaving the LEAC factor as is would make no progress in reducing the under-recovery.

A second option is to increase the LEAC factor to \$0.342338 effective November 1, 2022. This is GPA's proposal. If the factor is so increased, the under-recovery would decrease to \$27M by January 31, 2023.<sup>10</sup> However, this would result in an additional increase to ratepayers of 11.76% in the total bill. This year alone, the LEAC factor has already risen from \$0.18 per kWh on February 1, 2022, to \$0.29 per kWh on September 1, 2022. An additional increase to \$0.34 would mean an overall year-to-date increase of 47%.<sup>11</sup> If possible, an increase which is less burdensome to ratepayers should be considered.

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<sup>8</sup> "LEAC Information, Amended GM Report, at p. 3 (Pertinent Information).

<sup>9</sup> Guam Power Authority Schedule "Z", effective with meters read on and after April 12, 2012.

<sup>10</sup> Exhibit "A", GPA Proposed LEAC Rate (Prepared 10/21/2022)

<sup>11</sup> See PUC Order, GPA Docket 22-05, dated January 27, 2022, at p. 8; PUC Order, GPA Docket 22-05, dated March 31, 2022, at p. 9; and PUC Order, GPA Docket 22-15, dated June 16, 2022, at p.8.



A third option would be a lesser increase in the LEAC factor to nearly \$0.32 effective on November 1, 2022. Such an increase would still result in a decrease in the LEAC under-recovery as of January 31, 2023 of roughly \$7 million, to a level of \$34M.<sup>12</sup> That is a reduction of \$13M since the under-recovery high of \$47M in August 2022.<sup>13</sup> The increase to the average residential ratepayer would be a more manageable 5.73% on the total bill.<sup>14</sup> Although the “recovery” of the under-recovery balance would take place at a slower rate, this option would constitute progress in lowering the under-recovery and should be acceptable to GPA.

## 2. Future Fuel Pricing is unpredictable

There have been decreases in high sulfur residual fuel oil (HSFO) prices this year. In the month of September 2022, the Morgan Stanley pricing of “SING HSFO 180 CST” which is high sulfur residual fuel oil, decreased from \$453.69 per metric ton to \$402.93. As of October 20, 2022, the price of HSFO dropped to \$392.09.<sup>15</sup> However, GPA General Manager John Benavente indicates that GPA has not purchased HSFO since March of 2022.<sup>16</sup>

As a result of the Consent Decree with the USEPA, GPA is now purchasing more expensive fuels such as Ultra Low Sulfur Fuel Oil (0.2%) (ULSFO) and Ultra Low Sulfur Diesel (ULSD).<sup>17</sup> The Amended GM Report indicates that ULSRFO and ULSD prices

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<sup>12</sup> Exhibit “A”, GPA Proposed LEAC Rate (Prepared 10/21/2022)

<sup>13</sup> Id.

<sup>14</sup> Id.

<sup>15</sup> Morgan Stanley Asia Morning Call, September 1, 2022 and September 30, 2022., and October 20, 2022.

<sup>16</sup> “LEAC Information, Amended GM Report, at p. 4 (Fuel Purchases).

<sup>17</sup> “LEAC Information, Amended GM Report, at p. 4 (Fuel Purchases).



declined somewhat, but recently had an uptick. LSRFO is currently \$173.36 per barrel, and ULSD is \$146.33 per barrel.<sup>18</sup>

Diesel fuel prices have shown less of a decrease. As of September 1, 2022, the Morgan Stanley price for Sing Gas Oil 10ppm, which is equivalent to diesel, was \$139.82 per barrel<sup>19</sup>; as of October 20, 2022, the price for the same product was \$133.00.<sup>20</sup> GPA's average price per Bbl. of diesel shows a decrease from August 2022 to present from \$139.67 to \$134.81.<sup>21</sup> GPA's overall fuel cost has increased because it is now required to use ULSD and LSRFO 0.2%. In his Report, the GPA General Manager concludes that: today there is "no clear indication of where prices are going except it doesn't seem like significant price drop could be seen soon."<sup>22</sup>

### 3. LEAC Under-Recovery

The first 2-step LEAC increases in July and September resulted in a reduction in the under-recovery from \$47M in August to \$41M in October. However, if the present \$0.29 LEAC rate is kept in effect until the end of January next year, the prediction is that there will be no further decline in the amount of the LEAC under-recovery. It will remain at \$41M as of January 31, 2023.<sup>23</sup>

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<sup>18</sup> "LEAC Information, Amended GM Report, at p. 2 (GPA Fuel Landed Cost) Per Barrel (through Oct. 13, 2022).

<sup>19</sup> Morgan Stanley Asia Morning Call, September 1, 2022.

<sup>20</sup> Morgan Stanley Asia Morning Call, October 20, 2022.

<sup>21</sup> See ALJ Report, GPA Docket 22-15, dated June 13, 2022, at Exhibit "4" and Exhibit "A", GPA Proposed LEAC Rate (Prepared 10/21/2022), attached hereto.

Id.

<sup>22</sup> "LEAC Information, Amended GM Report, at p. 6 (World Fuel Price Situation).

<sup>23</sup> "LEAC Information, Amended GM Report, at p. 3 (Pertinent Information).



4. PUC Adoption of a LEAC factor of \$0.318576 commencing November 1, 2022

If the PUC adopts the above LEAC factor, the LEAC under-recovery as of January 31, 2023, will be approximately \$34M. While that is roughly \$7M more in under-recovery than GPA requested, it constitutes a significant reduction in the under-recovery from \$47M at the end of August 2022. It sets GPA on the path to recovering fuel costs which are presently unpaid by the ratepayers.

This factor will result in an increase in the total bill of the average residential customer of 5.73%. This is preferable to the 11.76% increase in the total bill that would result from a LEAC factor of \$0.34.

The bill of the average residential customer utilizing 1,000kW per month would increase from \$393.55 to \$416.08, or \$22.53 per month. See Exhibit "C" attached hereto.<sup>24</sup>

### **RECOMMENDATION**

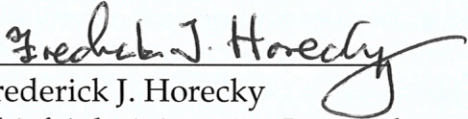
The Administrative Law Judge recommends that the PUC approve an increase in the LEAC Factor to \$0.318576/kWh for meters read on and after November 1, 2022. The PUC will have a further opportunity to review the LEAC factor in three months (January 2023) when it sets the factor for the period commencing February 1, 2023. A Proposed Order is submitted herewith for the consideration of the Commissioners.

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<sup>24</sup> Exhibit "C", GPA Bill Illustration Rate Schedule R – Residential (Prepared 10/21/2022).



Respectfully submitted this 24th day of October, 2022.

  
Frederick J. Horecky  
Chief Administrative Law Judge



## GPA

## Proposed LEAC Rate (\$000)

(Prepared 10/21/2022)

MS Pricing 10.10.2022 to 10.17.2022			
Scenario 1 Status Quo - \$0.296043	Scenario 2 \$0.318576	Scenario 3 \$0.342338	
Nov 22 - Jan 23	Nov 22 - Jan 23	Nov 22 - Jan 23	
\$ 149.48	\$ 149.48	\$ 149.48	
\$ 134.81	\$ 134.81	\$ 134.81	
\$ 62,356	\$ 62,356	\$ 62,356	
\$ 134,672	\$ 134,672	\$ 134,672	
\$ 9,187	\$ 9,187	\$ 9,187	
\$ 206,215	\$ 206,215	\$ 206,215	
\$ 8,427	\$ 8,427	\$ 8,427	
\$ 214,642	\$ 214,642	\$ 214,642	
\$ 79.996%	\$ 79.996%	\$ 79.996%	
\$ 171,516	\$ 171,516	\$ 171,516	
\$ 1,500	\$ 1,500	\$ 1,500	
\$ 41,319	\$ 41,319	\$ 41,319	
\$ 214,335	\$ 214,335	\$ 214,335	
\$ (9,348)	\$ (9,708)	\$ (10,088)	
\$ 204,987	\$ 204,627	\$ 204,247	
\$ (41,008)	\$ (34,096)	\$ (26,808)	
\$ 163,979	\$ 170,531	\$ 177,440	
\$ 580,817	\$ 580,817	\$ 580,817	
\$ 0.296043	\$ 0.296043	\$ 0.296043	
\$ -	\$ 0.022533	\$ 0.046295	
\$ -	\$ 22.53	\$ 46.30	
\$ 0.00%	\$ 7.61%	\$ 15.64%	
\$ 0.00%	\$ 5.73%	\$ 11.76%	
\$ 0.287175	\$ 0.309031	\$ 0.332084	
\$ 0.286348	\$ 0.308141	\$ 0.331127	
\$ 0.282823	\$ 0.304348	\$ 0.327051	

Average Price per Bbl-RFO &amp; ULSFO 0.20%

Average Price per Bbl-Diesel

Number 6 (HSFO/LSFO)

Number 2 (Diesel)

Renewable (Solar)

TOTAL COST

Handling Costs

Total Current Fuel Expense

Civilian Allocation

LEAC Current Fuel Expense

Estimated DSM for this period

Deferred Fuel Expense at the beginning of the period

Total LEAC Expense

Less: Trans. Level Costs

Distribution Level Costs

Over recovery/(Under) at the end of the period

Adjusted Distribution Level Costs

Distribution Level Sales (mWh)

LEAC Factor Distribution

Current LEAC Factor Distribution

Increase/(Decrease)

Monthly Increase/(Decrease) - 1000 kWh

% Increase/(Decrease) in LEAC

% Increase/(Decrease) in Total Bill

Discount (3%) - Primary 13.8 KV

Discount (4%) - 34.5 KV

Discount (5%) - 115 KV



# LEAC INFORMATION

## Amended GM Report

### OCTOBER 2022

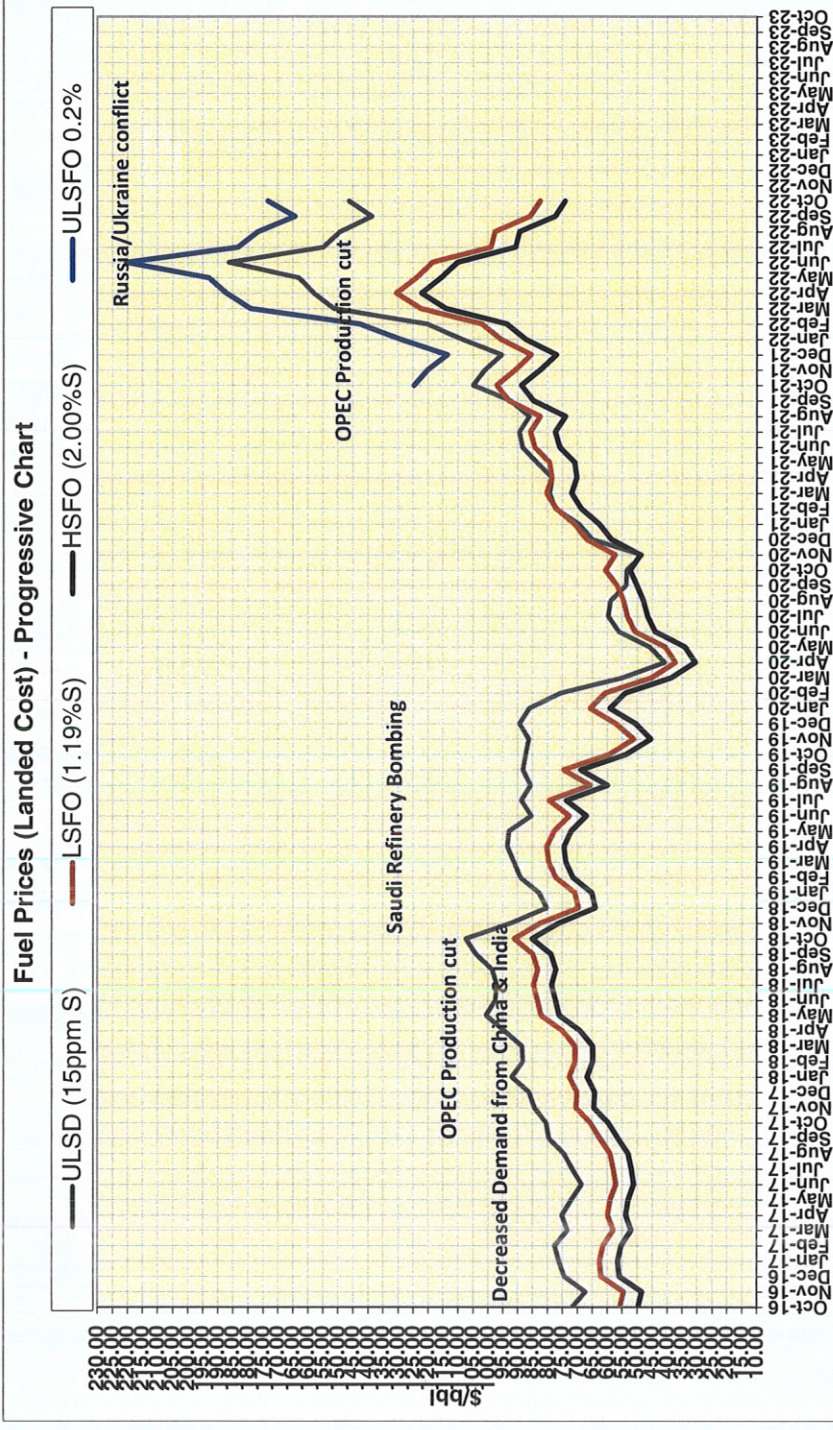


EXHIBIT "B"



# GPA Fuel Landed Cost (Per Barrel) Thru Oct. 13, 2022

## 4. 0.2% LSRFO \$173.36; ULSD \$146.33





# Pertinent Information

Description:	Actuals				Forecasts				
	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	
Under Recovery With No November Increase	\$ 42,759,975	\$ 44,892,540	\$ 47,101,089	\$ 44,016,238	\$ 41,319,361	\$ 40,988,055	\$ 40,580,813	\$ 41,007,963	
Under Recovery With November Increase	\$ 42,759,975	\$ 44,892,540	\$ 47,101,089	\$ 44,016,238	\$ 41,319,361	\$ 36,071,283	\$ 30,907,303	\$ 26,807,701	
Leac Rate (Including Nov Increase)	0.209552	0.251638	0.251638	0.296043	0.296043	0.342338	0.342338	0.342338	
Avg Residential Increase July	\$	42.12	42.12	42.12	42.12	42.12	42.12	42.12	
Avg Residential Increase September				\$	44.41	44.41	44.41	44.41	
Avg Residential Increase November						\$	46.30	46.30	
PL 36-106 Prugraman Ayuda Para I Taotao-ta Credit	\$	100.00	100.00	100.00	100.00	100.00			
Customer Impact	\$ (57.88)	\$ (57.88)	\$ (57.88)	\$ (13.47)	\$ (13.47)	\$ 32.83	132.83	132.83	



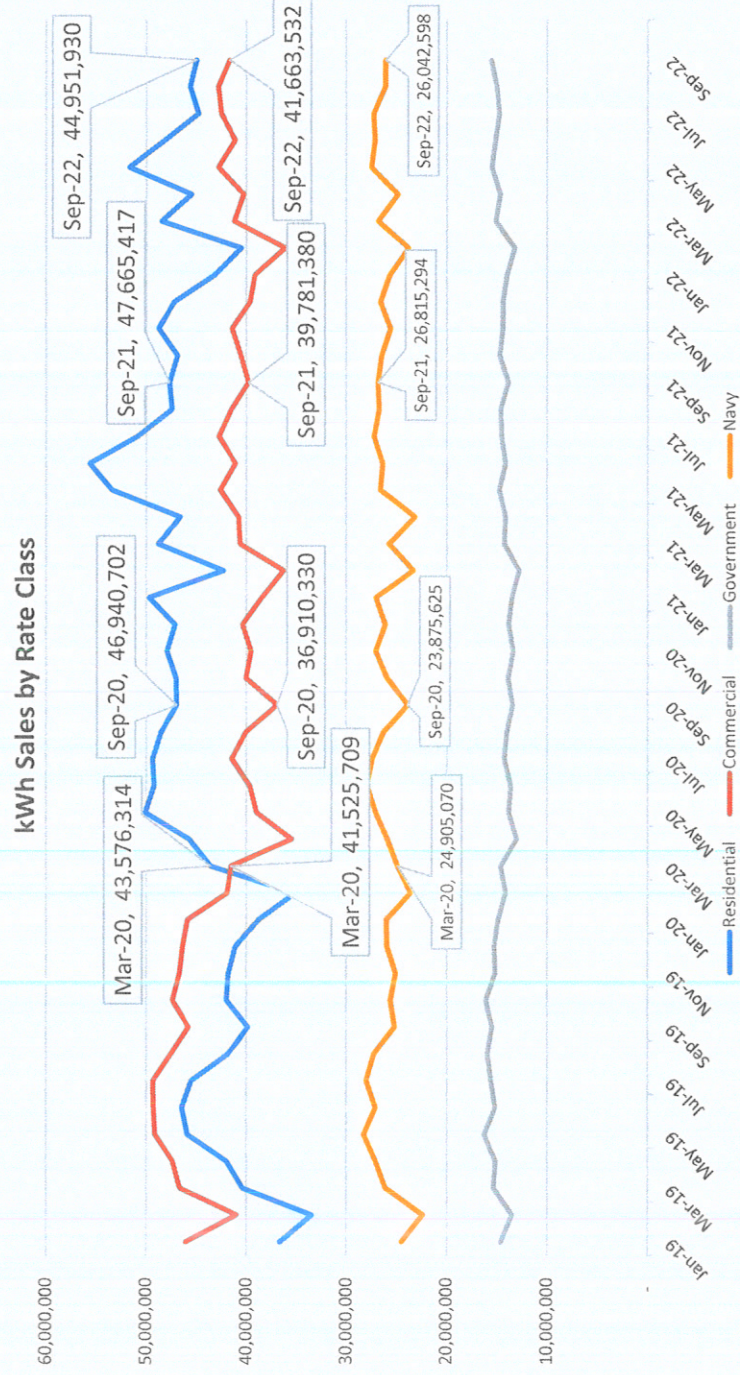
# Fuel Purchases

Actual Fuel Purchase Prices (Average Price for Non-Base Load Units)

Fuel Type>>>	High Sulfur RFO	Low(1.19%) Sulfur RFO	New 0.2% LSRFO	New ULSD Piti 8&9	ULSD Non-Base Load
Jan-22	\$ 78.74	\$ 85.42			\$ 95.25
Feb-22					\$ 108.52
Mar-22	\$ 92.45	\$ 97.45			\$ 120.18
Apr-22		\$ 128.07		\$ 150.07	\$ 151.15
May-22					\$ 158.29
Jun-22		\$ 116.76			\$ 162.87
Jul-22				\$ 153.67	\$ 186.26
Aug-22			\$ 172.32		\$ 154.96
Sep-22					\$ 149.14
Projected Price for Next Order:					
Oct-22					\$ 140.00
Nov-22					



# Sales by Customer Class





## World Fuel Price Situation

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- Global Energy demand has decreased and not expected to recover soon
- Lower demand typically means lower prices but
- OPEC Plus is cutting world supply by 2M Barrels per day which may keep prices high
- President Biden May release more Strategic Reserves to try to offset impact but ???
- Today: No clear indication of where prices are going except it doesn't seem like significant price drop could be seen soon



## • Clean Energy Plan-Production Cost Reduction Beginning CY 2024

Calendar Year	2023	2025	2026	2027	2028
Event:	KEPCO Commissioned	UKUDU Commissioned	Phase IV 180 MW	LNG Commissioned	Phase V 180 MW
\$/bbl. ULSD	\$120	\$120	\$120	\$120	\$120
\$/bbl. LNG Equivalent				\$80	\$80
%/ Renewables	10.9%	10.7%	26.5%	26.0%	40.9%
Renewable kWh	195,912,000	195,912,000	495,912,000	495,912,000	795,912,000
Conventional kWh	1,603,561,600	1,639,551,072	1,376,260,333	1,413,703,780	1,151,896,096
<b>\$/kWh cost</b>	<b>\$0.221</b>	<b>\$0.147</b>	<b>\$0.141</b>	<b>\$0.110</b>	<b>\$0.112</b>

### Impact if Fuel Oil and LNG price increase by 50%

\$/bbl. ULSD	\$180	\$180	\$180	\$180	\$180
\$/bbl. LNG Equivalent				\$120	\$120
<b>\$/kWh cost</b>	<b>\$0.319</b>	<b>\$0.214</b>	<b>\$0.194</b>	<b>\$0.148</b>	<b>\$0.142</b>
Variance:	\$0.098	\$0.067	\$0.053	\$0.038	\$0.030
\$/kWh Increase	44.1%	45.6%	37.5%	34.3%	26.4%

### Impact if Fuel Oil and LNG price normal: (2021 Prices)

\$/bbl. ULSD	\$90	\$90	\$90	\$90	\$90
\$/bbl. LNG Equivalent				\$65	\$65
<b>\$/kWh cost</b>	<b>\$0.172</b>	<b>\$0.113</b>	<b>\$0.115</b>	<b>\$0.095</b>	<b>\$0.101</b>



**GUAM POWER AUTHORITY**  
**BILL ILLUSTRATION RATE SCHEDULE R - RESIDENTIAL**  
*(Prepared 10/21/2022)*

	Current Rate (Status Quo)		Proposed Rate		Proposed Rate	
	Effective: 11-01-2022		Effective: 11-01-2022		Effective: 11-01-2022	
KWH		1,000		1,000		1,000
Monthly Charge	\$ 15.00	\$	\$ 15.00	\$	\$ 15.00	\$
Non-Fuel Energy Charge						
First 500 KWH	0.069550	34.78	0.069550	34.78	0.069550	34.78
Over 500 KWH	0.086870	43.44	0.086870	43.44	0.086870	43.44
Emergency Water-well charge	0.002790	1.40	0.002790	1.40	0.002790	1.40
Self-Insurance Surcharge	0.002900	2.90	0.002900	2.90	0.002900	2.90
Working Capital Fund Surcharge	0.000000	-	0.000000	-	0.000000	-
Total Electric Charge before Fuel Recovery Charges		97.51		97.51		97.51
Fuel Recovery Charge	\$ 0.296043	296.04	\$ 0.318576	318.58	\$ 0.342338	342.34
<b>Total Electric Charge</b>		<b>\$ 393.55</b>		<b>\$ 416.08</b>		<b>\$ 439.84</b>
Increase/(Decrease) in Total Bill				<b>\$ 22.53</b>		<b>\$ 46.29</b>
% Increase/(Decrease) in Total Bill				<b>5.73%</b>		<b>11.76%</b>
% Increase/(Decrease) in LEAC rate				<b>7.61%</b>		<b>15.64%</b>