

## BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF: ) GPA Docket 23-06  
)  
Guam Power Authority Levelized Energy )  
Adjustment Clause (LEAC) ) **ALJ REPORT**  
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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 maintain the current LEAC factor of 0.318576 per kWh for meters read on or after February 1, 2023.<sup>1</sup> On October 27, 2022, the PUC increased the LEAC factor from \$0.296043 to \$0.318576 per kWh for meters read on or after November 1, 2022.<sup>2</sup> The LEAC factor of \$0.318576 has remained in effect from November 1, 2022, up to the present time. GPA now seeks to maintain the same factor in effect for the next six-month period, from February 1, 2023 through July 31, 2023.<sup>3</sup>

### BACKGROUND

In GPA Resolution No. FY2023-06, dated December 7, 2022, the Guam Consolidated Commission on Utilities authorized GPA Management to petition the PUC to maintain the current LEAC factor for the next six-month period.<sup>4</sup>

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<sup>1</sup> GPA Petition, In the Matter of: Guam Power Authority Levelized Energy Adjustment Clause (LEAC) (LEAC FILING), GPA Docket 23-06, dated December 7, 2022.

<sup>2</sup> PUC Order, GPA Docket 22-15, PUC Review of Levelized Energy Adjustment Clause (LEAC) Factor, dated October 27, 2022, at p. 7.

<sup>3</sup> GPA Petition at p. 1.

<sup>4</sup> Guam Consolidated Commission on Utilities, GPA Resolution No. FY2023-06, Authorizing the Management of the Guam Power Authority to Petition the Guam Public Utilities Commission to Maintain the Levelized Energy Adjustment Clause (LEAC) for the Period from February 1, 2023 to July 31, 2023,



## **ANALYSIS**

### **I. GPA'S RATIONALE FOR MAINTAINING THE LEAC FACTOR AT ITS CURRENT LEVEL FOR THE NEXT SIX MONTHS IS THAT THE UNDER-RECOVERY BALANCE WILL BE SUBSTANTIALLY REDUCED.**

GPA'S initial LEAC filing on December 7, 2022, indicated that the average price per Bbl. of RFO and ULSFO 0.20% for the upcoming LEAC period would be \$159.21 and the average price per Bbl. of Diesel at \$120.20.<sup>5</sup> The most recent Morgan Stanley market projections indicate declining fuel prices for the period ending July 31, 2023.<sup>6</sup>

The "under-recovery balance" is the unpaid amount that ratepayers owe GPA for fuel expense. It is an unpaid debt. The LEAC factors set by the PUC in the past few years have not been adequate to recover GPA's full cost for fuel oil. Although fuel prices are now declining, the under-recovery balance as of November 1, 2022, was roughly \$41M.<sup>7</sup> GPA anticipates that, if the current LEAC factor of \$0.318576/kWh is maintained, the under-recovery balance as of July 31, 2023, will be \$8.3M.<sup>8</sup> GPA's argument is that it is prudent to maintain the current LEAC factor in order to substantially reduce the amount that ratepayers currently owe GPA in deferred fuel expense.

### **II. REDUCTION OF THE UNDER-RECOVERY BALANCE IS FURTHER SUPPORTED BY GPA'S UPDATED LEAC FILING.**

In accordance with PUC LEAC procedure, GPA submitted its updated LEAC Filing on January 17, 2023.<sup>9</sup> Submitted with the filing is GPA Proposed LEAC Rate (\$000)

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<sup>5</sup> GPA Petition, GPA Resolution No. FY2013-06, Exhibit A (GPA Proposed LEAC Rate (\$000), Actuals as of September 30, 2022).

<sup>6</sup> Id.

<sup>7</sup> Id.

<sup>8</sup> GPA Resolution No. FY2013-06, pg. 3, and Exhibit A.

<sup>9</sup> Email by GPA CFO John Kim to PUC ALJ Fred Horecky, Updated LEAC Information, dated January 17, 2023 (use of Morgan Stanley Noon Call fuel prices from January 9, 2023 to January 13, 2023).



(Update as of 01/17/2023), attached hereto as Exhibit "A". In its updated Exhibit A with the "Proposed LEAC Rate" for the next 6-month period, GPA now states that the average price per Bbl. of RFO and ULSFO 0.20% will be \$148.10 and the average price per Bbl. of Diesel will be \$119.19.<sup>10</sup> There has been a trend in declining fuel oil prices. In addition, the updated filing demonstrates that there has been a substantial reduction in the amount of the under-recovery balance since September 2022 through the end of January, 2023, from \$41M to \$33M.<sup>11</sup>

The encouraging update is, that if the current LEAC Factor is maintained, the under-recovery balance owed by ratepayers as of July 31, 2023, will be \$915,000.<sup>12</sup> The huge under-recovery that has existed for the past few years will effectively be eliminated.

### **III. THE PUC SHOULD MAINTAIN THE LEAC FACTOR AT \$0.318576 FOR THE PERIOD FROM FEBRUARY 1, 2023, THROUGH JULY 31, 2023.**

Fuel prices are decreasing. As of October 20, 2022 the price for Sing Gas Oil 10ppm, which is equivalent to diesel, was \$133.00 per barrel.<sup>13</sup> As of January 17, 2023, the price of Sing Gas Oil 10ppm per barrel was \$120.03. Based on declining oil prices, should the LEAC Factor be reduced at the present time to benefit the ratepayers?

The ALJ submits that the LEAC factor should not be reduced at the present time. If the current LEAC Factor is reduced, the under-recovery balance would not be recovered to the same extent. This is the right time to solve the under-recovery problem.

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<sup>10</sup> Id.

<sup>11</sup> Id., at pgs. 2-3.

<sup>12</sup> Id., at Exhibit A.

<sup>13</sup> Morgan Stanley Asia Morning Call, October 20, 2022.



Public Law No. 357-36 has provided GPA customers with some relief.<sup>14</sup> Under the Prugraman Ayuda Para I Taotao-Ta Energy Credit Program, customers will receive another Five Hundred Dollars (\$500) Credit toward their Power Accounts. A credit of \$100 per month will be received by customers for the months of December 2022, January 2023, February 2023, March 2023, and April 2023.<sup>15</sup> This Public Law provides at least some relief to ratepayers from the current high LEAC Factor.

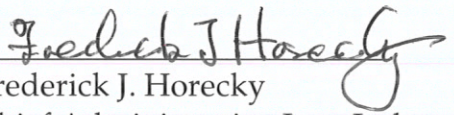
By maintaining the current LEAC Factor now, the under-recovery balance can hopefully be eliminated. There is a good possibility that the LEAC Factor could be reduced for the 6-month period commencing in August 2023.

#### **RECOMMENDATION**

For the reasons stated in this Report, the Administrative Law Judge recommends that the PUC approve the Petition of GPA to maintain the current LEAC factor of 0.318576 per kWh for meters read on or after February 1, 2023.

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

Dated this 19<sup>th</sup> day of January, 2023.

  
Frederick J. Horecky  
Chief Administrative Law Judge

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<sup>14</sup> Public Law No. 357-36, enacted December 17, 2022.

<sup>15</sup> Id., at Section 2.



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

Update as of 01/17/2023

Actuals as of 12/31/2022	
NOV 22 - JUL 23	
MS Pricing 01.09.23 to 01.13.23	
\$0.318576	
Nov 22 - Jul 23	
Average Price per Bbl-RFO & ULSFO 0.20%	\$ 148.10
Average Price per Bbl-Diesel	\$ 119.19
Number 6 (HSFO/LSFO)	\$ 82,628
Number 2 (Diesel)	106,856
Renewable (Solar)	\$ 10,453
<b>TOTAL COST</b>	<b>\$ 199,937</b>
Handling Costs	\$ 9,105
Total Current Fuel Expense	\$ 209,042
Civilian Allocation	79.707%
LEAC Current Fuel Expense	\$ 166,620
Estimated DSM for this period	\$ 1,500
Deferred Fuel Expense at the beginning of the period	\$ 35,626
Total LEAC Expense	\$ 203,747
Less: Trans. Level Costs	\$ (11,310)
Distribution Level Costs	\$ 192,436
Over recovery/(Under) at the end of the period	<b>\$ (915)</b>
Adjusted Distribution Level Costs	\$ 191,522
Distribution Level Sales (mWh)	593,879
LEAC Factor Distribution	<b>\$0.318576</b>
Current LEAC Factor Distribution	\$ 0.296043
Increase/(Decrease)	0.022533
Monthly Increase/(Decrease) - 1000 kWh	<b>\$ 22.53</b>
% Increase/(Decrease) in LEAC	7.61%
% Increase/(Decrease) in Total Bill	5.73%
Discount (3%) - Primary 13.8 KV	\$ 0.309031
Discount (4%) - 34.5 KV	\$ 0.308141
Discount (5%) - 115 KV	\$ 0.304348