

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 24-08
)
GUAM POWER AUTHORITY)
LEVELIZED ENERGY ADJUSTMENT) **ALJ REPORT**
CLAUSE (LEAC))
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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 increase the current LEAC Factor of \$0.231144/kWh to \$0.264327/kWh for meters read on or after February 1, 2024.¹ The increased factor would be effective for the six-month period from February 1, 2024, through July 31, 2024. If approved by the PUC, this factor would constitute a 14.36% increase in the LEAC Factor and a 10% increase in the total bill.² The proposed Factor would result in a monthly increase of \$33.18 to residential customers utilizing an average of 1,000 kilowatt-hours per month.³

BACKGROUND

In GPA Resolution No. FY2024-08, the Guam Consolidated Commission on Utilities authorized the GPA Management to petition the PUC to increase the secondary voltage Levelized Energy Adjustment Clause Factor to \$0.264327/kWh for the period of February 1, 2024, through July 31, 2024.⁴ The basis to adjust the present LEAC Factor is

¹ GPA Petition, in the Matter of: Guam Power Authority Levelized Energy Adjustment Clause (LEAC), GPA Docket 24-08 dated December 6, 2023.

² Id. at p. 1.

³ Id. at p. 1.

⁴ Guam Consolidated Commission on Utilities, GPA Resolution No. FY2024-08, To Authorize the Management of the Guam Power Authority to Petition the Guam Public Utilities Commission to adjust

due primarily to the increase in worldwide fuel prices.⁵ The average market price of fuel which GPA had used for the current period was approved at \$102.51/bbl. for the (7) seven-month period from June 1, 2023 through January 31, 2024. The projected average price of fuel for the period ending July 31, 2024 is expected to be \$120.28/bbl.⁶ GPA is proposing a LEAC Factor \$.0264327, which would result in the recovery of fifty (50) percent of the under-recovery balance, by July 31, 2024. The projected under-recovery balance as of July 31, 2024 is \$19,500,000.00.⁷

On December 11, 2023, the Administrative Law Judge (“ALJ”) requested the assistance of PUC Consultant Marianas Consulting Group (“MCG”) to review the GPA LEAC petition filing, and to make recommendations to the PUC. On January 15, 2024, MCG provided its Report in response to GPA’s Petition to adjust the existing LEAC factors.⁸ Copies of the MCG Report have been provided to the Commissioners.

ANALYSIS

1. THE AMOUNT OF THE PRESENT GPA UNDER-RECOVERY BALANCE NECESSITATES AN INCREASE IN THE LEAC FACTOR

GPA estimates that the under-recovery balance as of January 31, 2024, will be \$33,417,289.⁹ When the ALJ first viewed the present under-recovery balance, he was somewhat shocked. In the prior PUC LEAC proceeding of May, 2023, GPA Resolution No. FY2023-19, attached to the GPA Petition, indicated that: “...the most recent Morgan

the Levelized Energy Adjustment Clause (LEAC) for the period of February 1, 2024, through July 31, 2024, adopted and approved on November 28, 2023.

⁵ GPA Resolution No. FY2024-08 at p. 1.

⁶ GPA Resolution No. FY2024-08 at pgs. 1-2.

⁷ Attachment to GPA Resolution No. FY2024-08, GPA Proposed LEAC Rate, update as of November 21, 2023.

⁸ Marianas Consulting Group, Report in GPA Docket 24-08, dated January 15, 2024.

⁹ GPA Resolution No. FY2024-08, LEAC Update-Historical LEAC Over/(Under) Recovery.

Stanley market projections for fuel prices have declined from the previous filing and **projected over-recovery for the period ending January 31, 2024 at the proposed reduced LEAC rate of \$0.248145/kWh is about ten thousand dollars...**¹⁰

The question is how GPA went from an estimate of an **over-recovery** of \$10,000.00 for the period ending January 31, 2024, to the present estimate of an **under-recovery** balance of \$33,417,289 as of January 31, 2024. In its Report dated January 15, 2024, MCG has provided a cogent analysis of how GPA has incurred a \$33M under-recovery as of January 31, 2024. According to MCG, there are three main factors that lead to an under-recovery balance of \$33M by January 31, 2024: (1) In the last PUC LEAC proceeding (GPA Docket 23-16, Order dated May 19, 2023), GPA had estimated that, as of August 1, 2023, the under-recovery balance was \$7,757,981.00.

However, the actual under-recovery balance as of August 1, 2023 was \$19,215,087.41, rather than \$7,757,981.00.¹¹ Thus, the under-recovery balance was greater by \$11,457,106.41 than GPA had estimated. (2) Fuel cost was more expensive than GPA had estimated, resulting from differences in unit costs (ultra-low sulfur and diesel). There was an additional fuel cost to GPA of over \$10M. (3) Estimated sales to GPA customers decreased by over \$13.849M, probably a result of typhoon Mawar.¹² With additional increases in fuel handling costs and a few other factors, it now appears that the under-recovery balance as of January 31, 2024 will be over \$33M.

2. GPA AND MCG HAVE UPDATED THE REQUESTED LEAC FACTORS FOR THE NEXT LEAC PERIOD

¹⁰ GPA Petition, GPA Docket 23-16, Exhibit A-04 (GPA Proposed LEAC Rate (\$000), Update as of 4/21/2023); see also PUC Order, GPA Docket 23-16, at p. 3, dated May 19, 2023.

¹¹ Marianas Consulting Group Report at p. 5, Exhibit 4, Filed August 23 through January 24 Versus Actuals Resulting in a \$33M Under-recovery as of January 24.

¹² Id.

In accordance with the standard PUC procedure, GPA has submitted updated Morgan Stanley fuel pricing. The pricing for the 5-day period ten days before the PUC meeting (January 10, 2024-January 16, 2024) was only slightly higher than the pricing undertaken by GPA in November of 2023. See the Morgan Stanley Noon Call pricing for both periods attached hereto collectively as Exhibit "1". GPA now recommends an updated secondary Fuel Recovery Factor of \$0.261995 per kWh, which would recover 50 % of the under-recovery by July 31, 2024.¹³ The estimated under-recovery balance at 50% recovery is now \$18.5M as of July 31, 2024.

PUC Consultant MCG has also arrived at the same secondary Fuel Recovery Factor as GPA-- \$0.261995 per kWh. MCG's updated calculations, which also determine the Fuel Recovery Factors at 75% recovery and 100% (full recovery), are attached hereto as Exhibit "2."

An increase in the LEAC Factor is necessary to recover at least a portion of the under-recovery balance.

3. THE PUC SHOULD SET THE SECONDARY (RESIDENTIAL) FUEL RECOVERY FACTOR AT \$0.261995 FOR THE NEXT SIX-MONTH PERIOD BETWEEN FEBRUARY 1, 2024, AND JULY 31, 2024

Both GPA and MCG have determined that the residential Fuel Recovery Factor for a 50% recovery should be set at \$0.261995 per kWh. As MCG points out, the secondary fuel recovery factor set by the PUC will depend upon whether it approves 50% recovery, 75% recovery, or 100% recovery. The PUC must still determine whether recovery of the under-recovery balance should be at 50%, 75%, or 100%.

¹³ Email from Marianne Woloschuk to PUC ALJ Fred Horecky, Re: Requests for Information, GPA Docket 24-08, dated January 17, 2024.

75% recovery would result in a secondary recovery factor of over \$0.277420 per kWh. A 75% recovery would result in an increase in the average residential customer bill for use of 1,000 kWh per month of \$46.28 per month, representing a 20.02% increase in LEAC and a 14.08% increase in the total bill. 100% recovery would result in a secondary recovery factor of over \$0.292845 per kWh. A 100% recovery would result in an increase in the average residential customer bill for use of 1,000 kWh per month of \$61.70 per month, representing a 26.69% increase in LEAC and an 18.77% increase in the total bill.

50% recovery would result in a secondary recovery factor of \$0.261995 per kWh. A 50% recovery would result in an increase in the average residential customer bill for use of 1,000 kWh per month of \$30.85 per month, representing a 13.35% increase in LEAC and a 9.39% increase in the total bill.

The ALJ recommends to the PUC that it adopt the 50% recovery option. That is the option requested by GPA; GPA apparently feels that recovery of 50% of the under-recovery is sufficient. That option will still result in a nearly ten percent monthly increase for the average residential ratepayer. Considering current economic conditions, the ALJ believes that 75% or 100% recoveries would result in too great a financial burden on ratepayers—monthly increases of \$46.28 per month and \$61.70 per month respectively. To moderate the ratepayer impact, and to prevent burdening ratepayers with a more substantial increase, the ALJ believes that the 50% recovery option is the fairest to ratepayers.

RECOMMENDATION

For the reasons stated in this Report, the Administrative Law Judge [“ALJ”] recommends that the PUC increase the current residential LEAC Factor to

\$0.261995/kWh for residential meters read on or after February 1, 2024 and for the period of February 1, 2024 through July 31, 2024. The PUC should adopt the other LEAC Factors in accordance with Exhibit "2".

The PUC should adopt the following recommendations of MCG¹⁴:

- (1) Tariff Z for the LEAC allows GPA to file interim rate requests if the under or over recovery has a cumulative balance of more than \$2 million. The re-filing option was set into place to allow a current response to large changes in fuel costs over which GPA does not have control. The LEAC under-recovery has increased in this current LEAC period by over \$33M. In the event of a natural disaster such as a typhoon, a major generation equipment repair or failure, or a disruption or significant change in fuel supplies or prices, GPA should consider exercising this option before under-recoveries reach the level that they are anticipated to reach as of January 31, 2024.

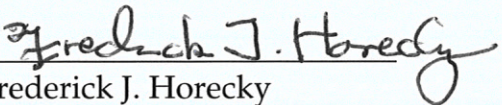
Whether to file for relief under Tariff Z is at the discretion of GPA. However, GPA should at least consider such a filing in circumstances such as those which arose during this LEAC period. If action is not taken under Tariff Z, the purpose of LEAC, rate stability, is defeated. Ratepayers should not be subject to erratic swings in under-recovery balances.

- (2) GPA should file updates with the PUC on actual costs to date versus the cost estimates included in the petition for approval for each of six months for the period from February through July 2024.

¹⁴ Marianas Consulting Group Report at pgs. 6-7.

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

Dated this 19th day of January, 2024.


Frederick J. Horecky
Chief Administrative Law Judge

LEAC Update - Morgan Noon Call Pricing

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Date	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Gassoil 10ppm											
10/31/2023	\$ 111.38	\$ 109.78	\$ 108.48	\$ 107.43	\$ 107.43	\$ 105.17	\$ 105.17	\$ 105.17	\$ 103.76	\$ 103.76	\$ 103.76
11/2/2023	112.75	111.01	109.36	108.11	108.16	105.32	105.32	105.32	103.56	103.56	103.56
11/3/2023	114.77	113.07	111.37	110.07	110.12	107.10	107.10	107.10	105.07	105.07	105.07
11/6/2023	111.67	109.77	108.37	107.22	107.27	104.78	104.78	104.78	102.97	102.97	102.97
11/7/2023	110.96	109.66	108.41	107.26	107.33	104.75	104.75	104.75	102.96	102.96	102.96
11/8/2023	106.67	106.07	105.07	104.12	104.17	101.96	101.96	101.96	100.32	100.32	100.32
11/10/2023	101.29	101.29	100.94	100.47	100.48	98.99	98.99	98.99	97.72	97.72	97.72
11/14/2023	107.16	106.06	105.31	104.59	104.61	102.40	102.40	102.40	100.79	100.79	100.79
11/15/2023	106.77	106.02	105.27	104.49	104.49	102.12	102.12	102.12	100.37	100.37	100.37
11/16/2023	106.07	105.37	104.57	103.77	103.75	100.99	100.99	100.99	99.27	99.27	99.27
Ten-day average	\$ 108.95	\$ 107.81	\$ 106.71	\$ 105.75	\$ 105.78	\$ 103.36	\$ 103.36	\$ 103.36	\$ 101.68	\$ 101.68	\$ 101.68

EXHIBIT "1"



Morgan Noon Call Pricing

Date	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Gassoil 10ppm						
1/10/2024	111.38	109.78	100.40	99.50	98.50	97.48
1/11/2024	112.75	111.01	99.22	98.47	97.47	96.37
1/12/2024	114.77	113.07	102.87	102.68	101.22	99.99
1/15/2024	111.67	109.77	102.04	100.44	98.84	97.59
1/16/2024	110.96	109.66	103.24	101.44	99.59	98.14
Five-day average	\$ 112.31	\$ 110.66	\$ 101.55	\$ 100.51	\$ 99.12	\$ 97.91

Summary Of Rates
Proposed LEAC Rate (\$000)

Feb 24-Jul 24				
	No change	50 % Recovery	75 % Recovery	Full Recovery
1 Average Price per Bbl-RFO &ULSFO 0.20%	\$ 139.31	\$ 139.31	\$ 139.31	\$ 139.31
2 Average Price per Bbl-Diesel	\$ 105.79	\$ 105.79	\$ 105.79	\$ 105.79
3 Number 6 (HSFO/LSFO)	\$ 63,540	\$ 63,540	\$ 63,540	\$ 63,540
4 Number 2 (Diesel) ¹²	\$ 96,209	\$ 96,209	\$ 96,209	\$ 96,209
5 Renewable (Solar)	\$ 11,020	\$ 11,020	\$ 11,020	\$ 11,020
6 TOTAL COST	\$ 170,769	\$ 170,769	\$ 170,769	\$ 170,769
7 Handling Costs	\$ 8,865	\$ 8,865	\$ 8,865	\$ 8,865
8 Total Current Fuel Expense	\$ 179,635	\$ 179,635	\$ 179,635	\$ 179,635
9 Civilian Allocation	79%	79%	79%	79%
10 LEAC Current Fuel Expense	\$ 142,275	\$ 142,275	\$ 142,275	\$ 142,275
11 Estimated DSM for this period				
12 Deferred Fuel Expense at the beginning of the period	\$ 32,970	\$ 32,970	\$ 32,970	\$ 32,970
13 Total LEAC Expense	\$ 175,245	\$ 175,245	\$ 175,245	\$ 175,245
14 Less: Trans. Level Costs	\$ 7,497	\$ 8,497	\$ 8,997	\$ 9,498
15 Distribution Level Costs	\$ 167,748	\$ 166,748	\$ 166,247	\$ 165,747
16 Under recovery at the end of the period	-\$ 36,923	-\$ 18,462	-\$ 9,231	\$ -
17 Adjusted Distribution Level Costs	\$ 130,825	\$ 148,286	\$ 157,016	\$ 165,747
18 Distribution Level Sales (mWh)	565,988	565,988	565,988	565,988
19 LEAC Factor Distribution	0.231144	0.261995	0.277420	0.292845
20 Current LEAC Factor Distribution	0.231144	0.231144	0.231144	0.231144
21 Increase/(Decrease)	(0.00000)	0.03085	0.04628	0.06170
22 Monthly Increase/(Decrease) - 1000 kWh	-\$ 0.00	\$ 30.85	\$ 46.28	\$ 61.70
23 % Increase/(Decrease) in LEAC	0.00%	13.35%	20.02%	26.69%
24 % Increase/(Decrease) in Total Bill	0.00%	9.39%	14.08%	18.77%
25 Discount (3%) - Primary 13.8 KV	0.224219	0.254148	0.269112	0.284075
26 Discount (4%) - 34.5 KV	0.223573	0.253416	0.268337	0.283257
27 Discount (5%) - 115 KV	0.220821	0.250297	0.265033	0.279770

Note: Based on Morgan Noon Call Prices from January 10 to January 16, 2024.