

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



GUAM POWER AUTHORITY  
LEVELIZED ENERGY ADJUSTMENT  
CLAUSE [LEAC]

GPA DOCKET 16-10

ORDER

In accordance with the protocol established by Guam Public Utilities Commission [PUC] Order dated January 29, 1996, as amended by Order dated March 14, 2002, Guam Power Authority [GPA] transmitted its LEAC Filing, dated June 20, 2016, to the PUC.<sup>1</sup> GPA requested that the Levelized Energy Adjustment Clause Factor [“LEAC”], for the six-month period commencing August 1, 2016, stay at the same level it was set for the prior six month period (February 1, 2016, to July 31, 2016): \$0.086613 per kWh effective for meters read on or after August 1, 2016.<sup>2</sup> There would be no change in the LEAC factor for this LEAC period.<sup>3</sup>

GPA submits that the LEAC factor for the upcoming six month period (August 1, 2016 through January 31, 2017) should remain the same. Although the filed schedules would indicate an over 1% increase in the total bill for the average residential customer utilizing 1000kWh per month,<sup>4</sup> and an under recovery by GPA of “less than \$1.8M”,<sup>5</sup> GPA does not see a need to increase the current LEAC factor. There has been some reduction in GPA fuel costs resulting from more efficient generators coming on line including Cabras Unit #2 in April 2016, and the return of Cabras #1 to full load in July 2016.<sup>6</sup>

In determining its forecasted fuel pricing for the next six month LEAC period, in its Petition GPA utilized the average of the five days forward pricing from Morgan Stanley Asia noon Call dated May 5 through May 11, 2016.<sup>7</sup>

At its January 25, 2016, Meeting, the PUC held that in LEAC proceedings, an updated LEAC fuel forecast price should be prepared based upon average of the five day period which is ten days before the meeting at which the PUC determines the LEAC factor.<sup>8</sup>

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<sup>1</sup> GPA LEAC Filing, GPA Docket 16-10, filed June 20, 2016.

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

<sup>3</sup> Id.

<sup>4</sup> Schedule 1 to GPA LEAC Filing, GPA Docket 16-10, filed June 20, 2016.

<sup>5</sup> Letter from GPA General Manager John Benavente to ALJ Horecky, GPA Docket 16-10, filed June 20, 2016.

<sup>6</sup> GPA LEAC Filing, GPA Docket 16-10, filed June 20, 2016, at p. 1.

<sup>7</sup> Letter from GPA General Manager John Benavente to ALJ Horecky, GPA Docket 16-10, filed June 20, 2016.

<sup>8</sup> PUC LEAC Order, GPA Docket 15-27, dated January 25, 2016, at p. 2.

On May 24, 2016, the Guam Consolidated Commission on Utilities, in Resolution No. 2016-34, authorized GPA Management to Petition the PUC for the LEAC rate to remain at \$0.086613/kWh effective for the period from August 1, 2016 through January 31, 2017.<sup>9</sup>

### DETERMINATIONS

1. Counsel requested that GPA Assistant CFO Cora Montellano recalculate the 5 day average of the MS fuel forecast. On July 19, 2016, Ms. Montellano provided the most recent updated "Proposed LEAC Rate".<sup>10</sup>
2. To determine updated applicable fuel prices herein, GPA used the average of 5 days forward pricing from Morgan Stanley Asia Noon Call dated July 12-18, 2016.
3. The updated analysis indicates that fuel prices have increased since GPA filed its Petition on June 20. As of the filing of the Petition, the average price per Barrel for Residual Fuel Oil was \$42.27. However, as of the date of the updated analysis on July 19, 2016, the average price per Barrel of RFO was \$45.43.<sup>11</sup>
4. GPA now estimates that, by keeping the LEAC rate the same for the upcoming 6-month period, there will be a \$4.6M under-recovery at the end of the period.<sup>12</sup>
5. In this filing, GPA is accepting an under-recovery balance (in excess of \$2M) that would normally authorize it to seek a rate adjustment from the PUC in accordance with GPA Rate Schedule "Z".
6. However, Exhibit "1" (attached to the PUC Counsel Report) indicates that a portion of the Cabras 3 & 4 insurance proceeds from GPA's claim on the Cabras explosion will be offset against the projected under-recovery of \$4.6M.<sup>13</sup> Assistant CFO Montellano clarified that GPA has received \$50M to date on its insurance claim. The under-recovery will be paid off with the insurance funds.<sup>14</sup>

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<sup>9</sup> CCU Resolution No. 2016-66, adopted May 24, 2016, at p. 2.

<sup>10</sup> Exhibit 1 to the PUC Counsel Report, GPA Docket 16-10, dated July 22, 2016.

<sup>11</sup> Id.

<sup>12</sup> Id.

<sup>13</sup> Id.

<sup>14</sup> Email from Assistant CFO Montellano to PUC Counsel Fred Horecky re: GPA Docket 16-10, dated July 27, 2016



7. It is appropriate to offset the fuel cost under-recovery of \$4.6M with funds from the Extra Expense & Business Interruption insurance proceeds that resulted from the Cabras 3 & 4 explosion. The explosion has caused increased fuel costs through reliance upon Aggreko generation capacity and the use of less fuel efficient generators.
8. GPA has already received insurance funds in the amount of \$50M from the insurers. The LEAC under-recovery shall appropriately be paid from such insurance proceeds.<sup>15</sup>
9. The application of such proceeds will mean that the under-recovery of \$4.6M at the end of the LEAC period will be offset with insurance proceeds.
10. This proposed LEAC factor will keep the total bill at the same level over the next six months for a residential customer utilizing an average of 1,000 kilowatt hours per month.<sup>16</sup>

### ORDERING PROVISIONS

After carefully reviewing the record in this proceeding, having considered the LEAC Filing of GPA and the PUC Counsel Report, and after discussion at a duly noticed regular meeting held on July 28, 2016, 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 current singular LEAC factors are hereby continued, unadjusted from the prior LEAC period, effective August 1, 2016, as shown in the following table:

<b>LEAC</b>	
<u>Delivery Classification</u>	<u>\$ per kWh</u>
Secondary -	\$ 0.086613
Primary – 13.8 KV	\$ 0.083997
Primary – 34.5 KV	\$ 0.083755
Transmission – 115 KV	\$ 0.082724

This proposed LEAC factor will keep the total bill at the same level over the next six months for a residential customer utilizing an average of 1,000 kilowatt hours per

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<sup>15</sup> Phone Conference between GPA CFO Cora Montellano and PUC Counsel Fred Horecky, July 22, 2016.

<sup>16</sup> Exhibit 1 to the PUC Counsel Report, GPA Docket 16-10, dated July 22, 2016.

month.

2. GPA should file for a change in the LEAC factors to be effective February 1, 2017 on or before December 15, 2016.
3. GPA indicates that there will be an under-recovery of \$4.6M at the end of the LEAC period. GPA shall pay such under-recovery from the insurance proceeds already received by GPA for the Cabras explosion.
4. The application of insurance proceeds will mean that the under-recovery of \$4.6M, or such amount as readjusted at the end of the LEAC period, will be offset with insurance proceeds.
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 §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 28th day of July, 2016.



Jeffrey C. Johnson  
Chairman



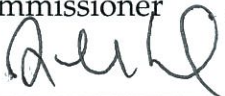
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Commissioner



Joseph M. McDonald  
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Peter Montinola  
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Filomena M. Cantoria  
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