

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



GUAM POWER AUTHORITY  
LEVELIZED ENERGY ADJUSTMENT  
CLAUSE [LEAC]

GPA DOCKET 11-06

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], by Filing dated June 15, 2011, requested that the current LEAC factor [\$0.16153 per kWh] for its civilian customers be increased to \$0.19216 per kWh for meters read on and after August 1, 2011 and continuing until January 31, 2012.<sup>1</sup>

After conducting a review of GPA's Filing, and engaging in communications with GPA, PUC Regulatory Consultant Georgetown Consulting Group, Inc. [GCG] filed its Report Re: GPA Request for a LEAC Factor Effective August 1, 2011.<sup>2</sup> GCG recommends that the PUC should rely upon the most recent available information regarding fuel prices to determine the fuel factor for the LEAC.<sup>3</sup> In its Report, GCG determined that, based upon updated Morgan Stanley fuel price forecasts for both No. 2 and No. 6 oil on July 7, 2011, fuel price projections for the next six month period are slightly higher than the fuel prices originally projected by GPA in its Petition.<sup>4</sup>

The June 2011 actual price of fuel oil charged to GPA was somewhat higher than projected by GPA in its June 15<sup>th</sup> filing, which had the effect of increasing the under-recovery expense.<sup>5</sup> When these new prices, both actual and projected, are flowed through the LEAC calculation, along with the calculations of hedging credits, fuel inventory valuation and weighted inventory, the net result is a very slight increase above the new LEAC rate requested by GPA.<sup>6</sup>

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<sup>1</sup> GPA LEAC Filing, GPA Docket 11-06 [mistakenly filed as Docket 11-05], filed June 15, 2011; the bases for GPA's LEAC filing are: 1) there has been an under-recovery by GPA of \$8.2M for the period of February 1, 2011 through July 31, 2011, and (2) a projected increase in fuel prices for the upcoming six month period to \$104.64/bbl.

<sup>2</sup> GCG Report, GPA Docket 11-06, Request for a LEAC Factor Effective August 1, 2011, filed July 14, 2011.

<sup>3</sup> Id. at p. 2.

<sup>4</sup> Id.

<sup>5</sup> Id.

<sup>6</sup> Id.

GCG's Report indicates that there are certain factors which have significant impacts on the cost of electricity for the consumers: improving power production efficiency and line losses, diversifying the sources of power generation, and preventing large LEAC adjustments related to oil prices by hedging supply up to 100%.<sup>7</sup> It recommends that GPA should provide the PUC with an assessment of its activities in each of these areas.<sup>8</sup>

GCG has raised certain concerns about performance of the Cabras units. It finds that such units have fallen below the target minimum benchmarks approved by the Commission.<sup>9</sup> Neither unit is meeting the forced outage performance standards approved by the Commission as viewed on a 3 year average. During the LEAC period ending January 2011, GPA failed to meet the baseload performance standard for fuel efficiency (average baseload heat rate).<sup>10</sup> This matter should be scrutinized by the Commission.

In its LEAC Order dated January 31, 2011, the Commission ordered that in the next LEAC filing, GPA should include (1) its position as to whether LC charges and fuel management, handling and storage costs should continue to be recognized as a part of the LEAC factor; and (2) its position as to whether as a result of its initiatives and distribution system improvements, GPA loss data has improved to an extent sufficient to enable it to develop loss factors for primary, sub-transmission, and transmission level LEAC differentiated rates, and if so, the timeframe for implementation of such differentiated LEAC rates.<sup>11</sup>

As GCG points out, GPA has not provided a response to the issues raised in paragraph 5 of the January 31, 2011 PUC Order.<sup>12</sup> GCG recommends, that, based upon the additional liquidity provided to GPA by the recent bond issue and the implementation of the WCF Surcharge, the appropriate treatment for these expenses, whether they should continue to be recovered through the LEAC rate or be recognized in base rates, is a matter that should be revisited by the Commission as part of the next GPA base rate case.<sup>13</sup>

As an additional factor related to fuel costs, GCG believes that GPA should provide a report to the Commission as to whether the strategy to use "calls" as a

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<sup>7</sup> Id. at p.3.

<sup>8</sup> Id.

<sup>9</sup> Id. at p. 4.

<sup>10</sup> Id. at p. 4.

<sup>11</sup> The PUC LEAC Order, GPA Docket 10-11, adopted January 31, 2011.

<sup>12</sup> See GPA LEAC Filing, GPA Docket 11-05, filed June 15, 2011.

<sup>13</sup> GCG Report, GPA Docket 11-06, Re: Request for a LEAC Factor Effective August 1, 2011, at p. 7.

part of the hedging program should be pursued.<sup>14</sup> GCG further points out that the PUC LEAC Order dated January 31, 2011, required GPA to include with this LEAC filing "a report to PUC on the status of its existing initiatives, including timelines and reports, regarding Smart Grid initiatives, distribution system improvements, replacement of existing transformers, and meter task force ongoing activities. GPA shall therein indicate, in detail, the status and accuracy of its loss data, and its ability to propose a permanent loss standard."<sup>15</sup> GPA has not met any of the requirements of Ordering Paragraph 4.

Based upon its review and updating of the LEAC calculations, GCG recommends that a LEAC factor charge of \$0.19222 per kWh be ordered by the PUC effective on meters read on and after August 1, 2011.

After carefully reviewing the record in this proceeding and the July 14, 2011 Report of GCG, for good cause shown, the Guam Public Utilities Commission, by and through its Chairman, hereby **ORDERS THAT:**

1. A LEAC factor of \$0.19222 per kWh shall be used by GPA for all civilian customer bills, for meters read on and after August 1, 2011 to recover its forecasted fuel and related expenses, in accordance with the right hand column of Table 1 as set forth in the GCG Report dated July 14, 2011. This change reflects a 13.01% increase in the total bill for a residential customer utilizing an average of 1,000 kilowatt hours per month (\$30.69 per month).
2. GPA should file its next LEAC adjustment filing on or before December 15, 2011.
3. The PUC is concerned that GPA did not address any of the matters ordered in Ordering Provisions 4 and 5 of the Commission's January 31, 2011 Order. GPA shall file reports, including all matters requested in Paragraphs 4 and 5 of the January 31, 2011 LEAC Order, on or before September 16, 2011. These matters will also be addressed during the upcoming rate case, for determination as to which items should be included in base rates and which are to be included in the LEAC rate.

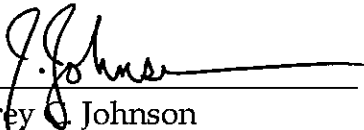
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<sup>14</sup> Id. at p. 9.

<sup>15</sup> PUC LEAC Order, GPA Docket 10-11, January 31, 2011, par. 4.

4. GPA shall follow up upon, and finalize, its intended fuel hedging program in accordance with its presentation made on June 8, 2011. In its program, it shall continue evaluating the potential benefits of using "call strategies". Upon review of the Consolidated Commission on Utilities, GPA shall present its final fuel hedging program for PUC review and approval on or before September 16, 2011.
5. GPA should file its next LEAC adjustment filing on or before December 15, 2011.
6. 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 25th day of July, 2011.

  
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Jeffrey C. Johnson  
Chairman