



**CONSOLIDATED
COMMISSION ON UTILITIES**

Guam Power Authority • Guam Waterworks Authority
P.O. BOX 2977 • Agana, Guam 96932

GUAM CONSOLIDATED COMMISSION ON UTILITIES

RESOLUTION NO.: 2016-72

**AUTHORIZING THE MANAGEMENT OF THE GUAM POWER AUTHORITY TO
PETITION THE GUAM PUBLIC UTILITIES COMMISSION FOR A CHANGE IN THE
LEVELIZED ENERGY ADJUSTMENT CLAUSE**

WHEREAS, the Guam Public Utilities Commission (GPUC) has established a Tariff under which the Guam Power Authority (GPA) is allowed to recover its fuel costs and fuel related costs under a factor which is reset and trued up every (6) six months through the Levelized Energy Adjustment Clause (LEAC); and

WHEREAS, the deadline for the next filing is December 15, 2016; and

WHEREAS, the world wide cost of fuel had declined during the last quarter of 2015 and through the first quarter of 2016 - nearly a 31% decline in the average monthly settlement, but has increased by nearly 50% since the low point in January 2016; and

WHEREAS, the market price of fuel in the initial filing for the current period was projected to be \$42.27/bbl. for the (6) six-month period ending January 31, 2017, the current projection for the same period is now \$48.08/bbl. and the latest projected price of fuel for the period ending July 31, 2017 would be about \$54.59/bbl.; and

WHEREAS, if the projected average price ending July 31, 2017 is \$54.59/bbl, GPA has determined that the Levelized Energy Adjustment Clause factor for secondary voltage service customers as well as alternative voltage customers will need to be increased from \$0.08816/kWh to \$0.116136/kWh for the period of February 1, 2017 to July 31, 2017; and

1 **WHEREAS**, if oil price does track the projection of \$54.59/bbl. by July 31, 2016, based
2 on this assumption and continuing with the current LEAC rate, an under-recovery of about
3 \$17.7M is anticipated by the end of the LEAC period on July 31, 2017; and
4

5 **WHEREAS**, if the fuel oil does track to \$54.59/bbl., the effect of the change in the
6 LEAC rate will result in an increase in the total bill by 16.3% or about a \$29.52 increase on a
7 1000 kWh power bill, in order to recover the total projected under-recovery; and
8

9 **WHEREAS**, fuel oil prices are currently very volatile and price projections continue to
10 fluctuate due to the recent decision by OPEC to cut production, making it very difficult to
11 determine with reasonable certainty where the price of fuel oil will be over the next LEAC
12 period; and
13

14 **WHEREAS**, the recent decision by OPEC members to cut production resulted in fuel oil
15 market price spikes to above \$50/bbl., but it is uncertain on whether the OPEC countries would
16 be able to sustained such production cuts and if not does oil prices fall again; and
17

18 **WHEREAS**, it is unclear what impact the new policies of President-Elect Trump may
19 have on oil prices when he takes office early next year considering it appears his spoken policies
20 tend to favor fossil fuel; and
21

22 **WHEREAS**, GPA desires to minimize the rate impact resulting from the recent oil
23 market changes and uncertainties; and
24

25 **WHEREAS**, GPA prefers to gradually true up fuel oil cost by phasing in increases over
26 two (2) LEAC periods and recommends the next LEAC rate to be about half of what the market
27 is projecting because of the uncertainties of political factors mentioned above; and
28

29 **WHEREAS**, GPA has determined that in a phase in approach the Levelized Energy
30 Adjustment Clause factor for secondary voltage service customers as well as alternative voltage
31 customers will need to be increased from \$0.08816/kWh to \$0.101372/kWh for the period of
32 February 1, 2017 to July 31, 2017; and
33

1 **WHEREAS**, in the phase in approach the effect of the change in the LEAC rate will
2 result in an increase in the total bill by 8.1% or about a \$14.76 increase on a 1000 kWh power
3 bill, in order to recover the total projected under-recovery; and
4

5 **WHEREAS**, based on the phase in approach, an under-recovery of about \$8.8M is
6 anticipated by the end of the LEAC period on July 31, 2017 which will not significantly impact
7 working capital and other financial ratios; and
8

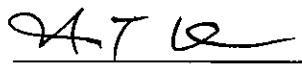
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10 **WHEREAS**, GPA now is requesting the Consolidated Commission on Utilities to
11 authorize the Authority to file such petition with the Guam Public Utilities Commission; and
12

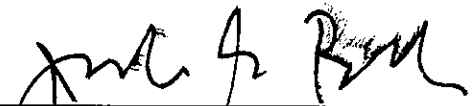
13 **NOW, THEREFORE BE IT RESOLVED**, by the Consolidated Commission on
14 Utilities as follows:
15

16 The General Manager of the Guam Power Authority is authorized to petition the Guam Public
17 Utilities Commission for an increase in the Levelized Energy Adjustment Clause (LEAC) factor
18 for secondary voltage service customers from \$0.086613/kWh to \$0.101372/kWh to be effective
19 for the period from February 1, 2017 thru July 31, 2017. (LEAC factors for alternative voltage
20 levels are as reflected in the attached spreadsheets in the attached Exhibit A.)
21
22

23 **RESOLVED**, that the Chairman certifies and the Board Secretary attests to the adoption
24 of this Resolution.
25

26 **DULY AND REGULARLY ADOPTED AND APPROVED THIS 6th DAY OF**
27 **DECEMBER 2016**
28

29 Certified by:
30
31 
32 _____
33 **JOSEPH T. DUENAS**
34 Chairperson

Attested by:
30
31 
32 _____
33 **J. GEORGE BAMBA**
34 Secretary

2
3 **SECRETARY'S CERTIFICATE**

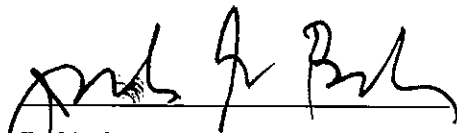
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5 **I, J. George Bamba**, Secretary for the CCU do hereby certify that the foregoing is
6 a full, true, and correct copy of the resolution duly adopted at a regular meeting of the
7 members of Guam's CCU, duly and legally held at the meeting place thereof on December
8 6, 2016 at which meeting of all said members had due notice and at which at least a
9 majority thereof were present, and

10
11 At said meeting said resolution was adopted by the following vote:

12		
13	Ayes:	<u>4</u>
14	Nays:	<u>0</u>
15	Absent:	<u>1</u>
16	Abstain:	<u>0</u>

17
18 As of the date of this certification, said original resolution has not been amended,
19 modified, or rescinded since the date of its adoption, and the same is now in full force and effect.

20
21 **SO CERTIFIED** this 6th day of December, 2016

22
23
24 
25 **J. GEORGE BAMBA**

26 Secretary

27 Consolidated Commission on Utilities

GPA

Proposed LEAC Rate

APPENDIX A

	PUC Approved Eff 8/01/2016	@ Current Fuel Price ⁽²⁾ Proposed Eff 2/01/2017	@ 1/2 Cost Recovery ⁽³⁾ Proposed Eff 2/01/2017
1 Average Price per Bbl-RFO ⁽¹⁾	\$ 45.43	\$ 54.59	\$ 54.59
2 Average Price per Gal-Diesel	\$ 65.48	\$ 71.72	\$ 71.72
3 Number 6 (HSFO/LSFO)	\$ 47,559	\$ 56,771	\$ 56,771
4 Number 2 (Diesel)	14,924	16,580	16,580
5 Renewable (Solar)	4,508	5,405	5,405
6 TOTAL COST	\$ 66,991	\$ 78,756	\$ 78,756
7 Handling Costs	3,361	3,150	3,150
8 Total Current Fuel Expense	\$ 70,352	\$ 81,906	\$ 81,906
9 Civilian Allocation	79.13%	78.90%	78.90%
10 LEAC Current Fuel Expense	\$ 55,671	\$ 64,621	\$ 64,621
11 Deferred Fuel Expense	1,665	9,461	9,461
12 Cabras 3&4 Insurance Proceeds	(4,600)	(4,600)	(4,600)
13 Total LEAC Expense	\$ 57,336	\$ 69,482	\$ 69,482
14 Less: Trans. Level Costs	(3,246)	(4,290)	(3,745)
15 Distribution Level Costs	\$ 54,090	\$ 65,192	\$ 65,738
16 Under recovery at the end of the period	\$ (4,626)		\$ (8,833)
17 Adjusted Distribution Level Costs	\$ 49,464	\$ 65,192	\$ 56,904
18 Distribution Level Sales (mWh)	571,095	561,343	561,343
19 LEAC Factor Distribution	0.086613	0.116136	0.101372
20 Current LEAC Factor Distribution	0.086613	0.086613	0.086613
21 Increase/(Decrease)	(0.00000)	0.02952	0.01476
22 Monthly Increase/(Decrease) - 1000 kWh	\$ (0.00)	\$ 29.52	\$ 14.76
23 % Increase/(Decrease) in LEAC	0.0%	34.1%	17.0%
24 % Increase/(Decrease) in Total Bill	0.0%	16.3%	8.1%
25 Discount (3%) - Primary 13.8 KV	0.091370	0.112749	0.098415
26 Discount (4%) - 34.5 KV	0.091107	0.112436	0.098142
27 Discount (5%) - 115 KV	0.089986	0.111101	0.096976

Notes:

- (1) The price of RFO increased by 20% from the last filing in June 2016.
- (2) The increase in fuel price is attributable to OPEC's decision to cut production by 1.3 million barrels per day.
- (3) If the LEAC rate remains the same in the next LEAC period, the under recovery will be \$17.7 million after applying the \$4.6M from the Cabras 3&4 insurance pr
- (3) Due to high volatility in the fuel price, GPA is recommending to recover only \$8.8 million, 1/2 of the \$17.7 million estimated under recovery in the upcoming LEAC