



**RESOLUTION NO.: 2017 - 16**

**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 June 15, 2017; and

**WHEREAS**, in the past, GPA experienced the highest LEAC rate of \$0.209271/kWh in February 2013 to the lowest rate of \$0.086613/kWh from February 2016 to January 2017, which was a drop of 58%;

**WHEREAS**, for the LEAC periods covered from February 1, 2016 through January 31, 2107, GPA maintained the secondary LEAC rate of \$0.086613/kWh in anticipation of lower stabilized prices in the fuel market; during this period, however, GPA recognized a \$6.5M under-recovery of fuel costs as market fuel prices rose instead; and

**WHEREAS**, for the LEAC periods covered from February 1, 2017 to July 31, 2017, GPA obtained the secondary LEAC rate of \$0.105051/kWh which was 50% of full recovery of \$0.123494/kWh to alleviate the impact on ratepayers; and

**WHEREAS**, the market price of fuel in the initial filing for the current period was projected to be \$54.59/bbl for the (6) six-month period ending July 31, 2017, the current projection for the same period is \$55.38/bbl and the projected price of fuel for the period ending January 31, 2018 is \$56.79/bbl; and

1           **WHEREAS**, the recent news that OPEC members and Non-OPEC countries will be  
2 supporting the extension of production cuts until March 2018 resulted in fuel oil market price  
3 spikes to above \$50/bbl and projected to continue to be between \$50-\$55/bbl range in the next  
4 several months; and

5  
6           **WHEREAS**, GPA prefers to gradually true up fuel oil cost by phasing in increases over  
7 two (2) LEAC periods in order to again alleviate the impact on ratepayers, and therefore  
8 recommends the next LEAC rate to recover only half of the estimated total under recovery to  
9 lessen the impact to our ratepayers; and

10  
11           **WHEREAS**, for the current LEAC periods covered from August 1, 2017 to January 31,  
12 2018, GPA requests the secondary LEAC rate of \$0.117755/kWh which is again 50% of full  
13 recovery of \$0.130450/kWh to alleviate the impact on ratepayers; and

14  
15           **WHEREAS**, GPA has determined that in this phase in approach, the Levelized Energy  
16 Adjustment Clause factor for secondary voltage service customers as well as alternative voltage  
17 customers will need to be increased from \$0.105051/kWh to \$0.117755/kWh for the period of  
18 August 1, 2017 to January 31, 2018; and

19  
20           **WHEREAS**, in the phase in approach the effect of the change in the LEAC rate will  
21 result in an increase in the total bill by 6.4% or about a \$12.70 increase on a 1000 kWh power  
22 bill, in order to recover 50% of the projected under-recovery; and

23  
24           **WHEREAS**, based on the phase in approach, an under-recovery of about \$7.8M is  
25 anticipated by the end of the LEAC period on January 31, 2018 which will not significantly  
26 impact working capital and other financial ratios; and

27  
28           **WHEREAS**, GPA now is requesting the Consolidated Commission on Utilities to  
29 authorize the Authority to file such petition with the Guam Public Utilities Commission; and

30  
31           **NOW, THEREFORE BE IT RESOLVED**, by the Consolidated Commission on  
32 Utilities as follows:

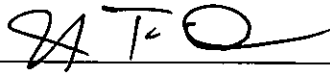
1  
2 The General Manager of the Guam Power Authority is authorized to petition the Guam Public  
3 Utilities Commission for an increase in the Levelized Energy Adjustment Clause (LEAC) factor  
4 for secondary voltage service customers from \$0.105051/kWh to \$0.117755/kWh to be effective  
5 for the period from August 1, 2017 thru January 31, 2018. (LEAC factors for alternative voltage  
6 levels are as reflected in the attached spreadsheets in the attached Exhibit A.)  
7

8 **RESOLVED**, that the Chairman certifies and the Board Secretary attests to the adoption  
9 of this Resolution.  
10

11 **DULY AND REGULARLY ADOPTED AND APPROVED THIS 23<sup>rd</sup> DAY OF**  
12 **MAY 2017**  
13

14 Certified by:

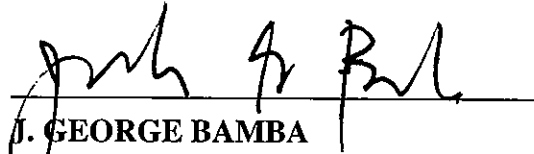
Attested by:

15  
16  
17 

18 **JOSEPH T. DUENAS**

19 Chairperson

20 Consolidated Commission on Utilities

15  
16  
17 

18 **J. GEORGE BAMBA**

19 Secretary

20 Consolidated Commission on Utilities

21  
22 **SECRETARY'S CERTIFICATE**  
23

24 I, **J. George Bamba**, Board Secretary of the Consolidated Commission on Utilities  
25 (CCU), as evidenced by my signature above, do hereby certify as follows:  
26

27 The foregoing is a full, true and correct copy of the resolution duly adopted at a  
28 regular meeting by the members of the Guam CCU, duly and legally held at a place  
29 properly noticed and advertised at which meeting a quorum was present and the members  
30 who were present voted as follows:  
31

32 Ayes: 4  
33 Nays: 0  
34 Abstentions: 0  
35 Absent: 1  
36

GPA  
Proposed LEAC Rate (\$000)

|  | PUC Approved <sup>(1)</sup><br>Eff 2/01/2017 | Updated <sup>(2)</sup><br>Eff 8/01/2017 | @ Full Cost Recovery<br>Proposed<br>Eff 8/01/2017 | @ 50% Cost Recovery <sup>(3)</sup><br>Proposed<br>Eff 8/01/2017 | LEAC Rate Unchanged <sup>(4)</sup><br>Proposed<br>Eff 8/01/2017 |
|--|--|---|---|---|---|
| 1 Average Price per Bbl-RFO <sup>(1)</sup> | \$ 58.56                                     | \$ 55.38                                | \$ 56.79  | \$ 56.79  | \$ 56.79  |
| Average Price per Gal-Diesel               | \$ 76.51                                     | \$ 69.62                                | \$ 70.83  | \$ 70.83  | \$ 70.83  |
| 3 Number 6 (HSFO/LSFO)                     | \$ 60,894                                    | \$ 57,246                               | \$ 54,924   | \$ 54,924   | \$ 54,924   |
| 4 Number 2 (Diesel)                        | 17,688                                       | 23,220                                  | 24,969  | 24,969  | 24,969  |
| 5 Renewable (Solar)                        | 5,405  | 5,066                                   | 4,536   | 4,536   | 4,536   |
| 6 TOTAL COST                               | \$ 83,988                                    | \$ 85,532                               | \$ 84,430   | \$ 84,430   | \$ 84,430   |
| 7 Handling Costs                           | 3,173  | 2,582                                   | 3,779   | 3,779   | 3,779   |
| 8 Total Current Fuel Expense               | \$ 87,160                                    | \$ 88,114                               | \$ 88,209   | \$ 88,209   | \$ 88,209   |
| 9 Civilian Allocation                      | 78.90%                                       | 79.33%                                  | 79.05%  | 79.05%  | 79.05%  |
| 10 LEAC Current Fuel Expense               | \$ 68,767                                    | \$ 70,602                               | \$ 69,725   | \$ 69,725   | \$ 69,725   |
| 11 Deferred Fuel Expense                   | 9,717  | 9,916                                   | 10,703  | 10,703  | 10,703  |
| 12 Cabras 3&4 Insurance Proceeds           | (4,600)                                      | (4,600)                                 | -   | -   | -   |
| 13 Total LEAC Expense                      | \$ 73,884                                    | \$ 75,917                               | \$ 80,427   | \$ 80,427   | \$ 80,427   |
| 14 Less: Trans. Level Costs                | (3,880)                                      | (4,015)                                 | (5,182)   | (4,678)   | (4,178)   |
| 15 Distribution Level Costs                | \$ 70,004                                    | \$ 71,903                               | \$ 75,245   | \$ 75,750   | \$ 76,249   |
| 16 Under recovery at the end of the period | \$ (11,034)                                  | \$ (10,703)                             | \$ -  | \$ (7,827)  | \$ (15,655)   |
| 17 Adjusted Distribution Level Costs       | \$ 58,970                                    | \$ 61,200                               | \$ 75,245   | \$ 67,922   | \$ 60,595   |
| 18 Distribution Level Sales (mWh)          | 561,343                                      | 582,701                                 | 576,812   | 576,812   | 576,812   |
| 19 LEAC Factor Distribution                | 0.105051                                     | 0.105051                                | 0.130450  | 0.117755  | 0.105051  |
| 20 Current LEAC Factor Distribution        | 0.086613                                     |   | 0.105051  | 0.105051  | 0.105051  |
| 21 Increase/(Decrease)                     | 0.01844                                      |   | 0.02540   | 0.01270   | (0.00000)   |
| 22 Monthly Increase/(Decrease) - 1000 kWh  | \$ 18.44                                     |   | \$ 25.40  | \$ 12.70  | \$ (0.00)   |
| 23 % Increase/(Decrease) in LEAC           | 21.3%  |   | 24.2%   | 12.1%   | 0.0%  |
| 24 % Increase/(Decrease) in Total Bill     | 10.2%  |   | 12.7%   | 6.4%  | 0.0%  |
| 25 Discount (3%) - Primary 13.8 KV         | 0.101987                                     |   | 0.126500  | 0.114188  | 0.101987  |
| 26 Discount (4%) - 34.5 KV                 | 0.101704                                     |   | 0.126135  | 0.113859  | 0.101704  |
| 27 Discount (5%) - 115 KV                  | 0.100496                                     |   | 0.124582  | 0.112458  | 0.100496  |

Notes:

- (1) PUC approved the recovery of only \$11 million, 1/2 of the \$22 million estimated under recovery in this LEAC period.
- (2) With the updated actual values through March 2017 and updated MS Noon Call ( May 5-12, 2017), the under recovery at the end of the current period is \$10.7 million compared to the (3) If LEAC rate is set to recover 50% of the under recovery, the remaining projected ending Fuel Cost under recovery of \$7.8 million will be carried forward to the next LEAC period.
- (4) If LEAC rate is unchanged, the projected ending Fuel Cost under recovery is \$15.7 million and will be carried forward to the next LEAC period.