

**GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
July 25, 2024
GCIC CONFERENCE ROOM, GCIC BUILDING, HAGATNA**



MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:30 p.m. on July 25, 2024, pursuant to due and lawful notice. The meeting was called to order at 6:33 p.m. Commissioners **Jeffrey C. Johnson, Peter Montinola, Joseph McDonald, Rowena Perez-Camacho, and Doris Flores-Brooks** were in attendance. The following matters were considered at the meeting under the agenda included as *Attachment "A"* hereto.

1. Approval of Minutes of May 16 and May 30, 2024.

The Chairman announced that the first item of business on the agenda was the approval of the minutes of May 16, 2024 and May 30, 2024. Commissioner Montinola moved to approve the minutes of the May 16, 2024 and May 30, 2024 meetings subject to corrections, which motion was seconded by Commissioner McDonald, and the motion passed unanimously.

2. Guam Power Authority

The Chairman announced that the next item of business on the agenda was Guam Power Authority ("GPA") Docket 24-16, Petition to Approve the Energy Conversion Agreement (ECA) Amendment for the Ukudu Power Plant, ALJ Report, and Proposed Order.

Administrative Law Judge Joephet R. Alcantara (ALJ Alcantara) presented an overview of GPA's request for amendments to its Energy Conversion Agreement (ECA) with Guam Ukudu Power (GUP) concerning the Ukudu Powerplant. The original ECA, established in November 2019, involved the construction, operation, and eventual transfer of the 198-megawatt power plant. Previous amendments to the ECA included the cancellation of a 65-megawatt reserve facility at Ukudu, its replacement with a 41-megawatt reserve facility at Cabras, and the subsequent cancellation of the latter. GPA now seeks further amendments due to changes in regulatory requirements, including the need for GUP to construct a phosphate removal system to comply with a U.S. EPA permit. GPA is required to cover related construction and maintenance costs. Additionally, GPA agreed to compensate GUP \$6.599 million for additional work related to the now-cancelled reserve facility, following negotiations that reduced GUP's initial \$21.76 million claim to this amount. GPA also agreed to pay GUP up to \$5 million in incentives for early completion of the power plant, with a new commercial operation date proposed for September 30, 2025. Further costs include funding a backup water supply pipeline and the first fill of diesel fuel, with provisions for reimbursement by GUP. The earlier

completion of the power plant is expected to provide reliable power sooner and result in significant fuel savings, with the amendments, including the removal of the reserve facility, anticipated to reduce the fixed capacity charge by 4.348%. ALJ Alcantara recommended the approval of GPA's petition to amend the ECA and related documents.

Chairman Johnson invited comments from GPA regarding the amendments to the Energy Conversion Agreement (ECA). GPA Jennifer Sablan (GPA Sablan) emphasized the importance of the amendment, noting that GPA has been in discussions with GUP following their recovery plan after the destruction caused by Typhoon Mawar. She highlighted the ongoing reliability issues GPA has been managing, including the reduction of load shedding with temporary power. GPA Sablan stressed that the sooner the new plant is operational, the sooner GPA can decommission Cabras 1 and 2, a key requirement under the consent decree. She mentioned that all negotiations with GUP were subject to approval by the Consolidated Commission on Utilities (CCU) and the PUC, and emphasized the importance of the September 2025 commissioning date.

GPA Sablan also provided an update on the plant's progress, noting that significant recovery work has been completed, including the reconstruction of tanks destroyed by the typhoon. Commissioning activities are expected to begin in the first quarter of next year. She affirmed that GPA has made efforts to control the claims brought by GUP, acknowledging that some claims were justified, particularly those related to the reserve facility and unanticipated permitting requirements. GPA Sablan expressed confidence that the costs incurred were reasonable and requested approval of the amendment.

A discussion ensued between the Commissioners and GPA regarding the following key points:

1. Cost Clarification:

- o **Total Costs:** Commissioners sought clarification on the total costs involved in the project, including the breakdown of various costs such as construction, operational, and incentive costs.
- o **Incentives:** It was confirmed that the total incentives amount to approximately \$11 million, with an additional \$5 million in reimbursable costs, summing up to a potential \$16 million.
- o **Cost Recovery:** The \$16 million will be financed over time through a fixed capacity fee, rather than a one-time payment.

2. First Fuel Fill:

- o **Payment Structure:** GPA will cover the upfront cost of the first fuel fill, estimated at around \$15 million, and recover this cost over seven years. This arrangement was made to assist with cash flow issues due to the impact of the typhoon.
- o **Subsequent Fuel Costs:** GPA will also manage and pay for subsequent fuel fills.

3. Project Timeline and Progress:

- **Completion and Commissioning:** The project is on track, with expected commissioning activities to start around February-March of the next year. Full operational capacity is anticipated by July-August.
 - **Penalties for Delays:** There are liquidated damages of \$240,000 per day if the project is delayed beyond the agreed deadline.
4. **Long-term Financial Commitment:**
- **Total Fixed Cost:** Over a 25-year period, the total fixed capacity charge is estimated at \$1.26 billion, including interest and capital expenditures.
5. **Rate Impact:**
- **Rate Adjustments:** The costs involved are not expected to increase the base rate, as reductions from the canceled reserve facility and other adjustments are factored in.
 - **LEAC Impact:** The new plant's efficiency is expected to decrease LEAC (Levelized Energy Adjustment Clause) costs, assuming stable fuel prices globally.

Chairman Johnson concluded the discussion by asking if there were any further comments. Commissioner Montinola proposed spending \$16 million, including \$5 million as an incentive, to save \$11 million. The commissioners discussed the financial details, confirming that the reimbursement would be interest-free over seven years.

Commissioner Flores-Brooks requested that a summary of all costs, including the incentive, be included in the order. Chairman Johnson confirmed with ALJ Alcantara that the summary would be added. Commissioner Flores-Brooks then moved to approve the order with the summary recap of total costs. The motion was seconded by Commissioner McDonald and was unanimously approved by the commissioners.

- **GPA Docket No. 24-20**

The Chairman announced that the next item of business on the agenda was Guam Power Authority ("GPA") Docket 24-20, Petition of the Guam Power Authority to Maintain the Levelized Energy Adjustment Clause (LEAC) for the period of August 1, 2024 through January 31, 2025; ALJ Report; and Proposed Order.

ALJ Frederick Horecky (ALJ Horecky) presented the recommendation to maintain the current LEAC factor of 26.1995 cents per kilowatt-hour for the period from August 1, 2024, to January 31, 2025. This recommendation is based on GPA's assessment that keeping the LEAC rate unchanged will substantially reduce the existing fuel expense under-recovery balance, which stood at \$33 million as of January 2024 and is projected to decrease to approximately \$5.5 million by January 2025.

ALJ Horecky also highlighted a slight decrease in fuel prices, further supporting the decision to maintain the current LEAC rate. The Marianas Consulting Group (MCG) concurred with this approach, advising against raising the LEAC rate at this time, as the under-recovery can be addressed in future adjustments without burdening ratepayers.

ALJ Horecky supported the recommendation to maintain the current LEAC rate, noting that the order for the Commission's signature would implement this recommendation.

GPA CFO John Kim (GPA Kim) concurred with ALJ Horecky's report.

A discussion ensued between the Commissioners and GPA. During the discussion, Commissioner Flores-Brooks inquired about the timeline for seeing efficiencies from the Ukudu plant that might allow for a reduction in the LEAC rate. GPA Kim responded that the Ukudu plant is expected to be operational by September 8, 2025, with testing beginning in February 2025, suggesting that any LEAC adjustment could be seen by August 2025.

Chairman Johnson confirmed that the LEAC might be adjusted in August 2025, after the current LEAC period ends.

Commissioner Montinola raised concerns about potential rate shocks once the current \$100 energy credits provided by the government, funded by a surplus, end. GPA Limtiaco clarified that these credits would continue for the next five to six months, with the final credits likely being applied around August or September 2025.

There was also discussion on ongoing energy efficiency efforts, including home energy audits and potential future programs like electric school buses, which could serve as mobile generators during emergencies. GPA Limtiaco highlighted GPA's aggressive approach in applying for federal grants to support resilience, including storm mitigation and infrastructure improvements. Commissioner Montinola emphasized the importance of these initiatives for reliability, efficiency, and overall resilience.

Commissioner Montinola moved to approve the order for GPA Docket 24-20. The motion was seconded by Commissioner McDonald and was unanimously approved by the Commissioners.

4. Guam Waterworks Authority

The Chairman announced that the next item of business on the agenda was the GWA Water Loss Control Program Status Report, highlighting that it has been ongoing for years but not effectively reducing water loss due to new leaks appearing when old ones are fixed. Administrative Law Judge Frederick J. Horecky (ALJ Horecky) mentioned the need for a comprehensive replacement of the entire piping system, which might be addressed in an upcoming water rate case. No further action or discussion was taken.

5. Administrative Matters

The Chairman Johnson announced that the next item of business on the agenda was administrative matters beginning with the Host Community Program Surcharge. The request was received from the mayor of Ordot-Chalan Pago for an increase in the Host Community Program Surcharge. The proposal suggests raising the total annual amount from \$300,000 to approximately \$460,000, reflecting inflation and cost of living adjustments since the program's inception. This would result in an increase from about 38 cents to 50 cents per trash bill. The discussion included concerns about whether to handle this request separately or as part of the upcoming Solid Waste Authority rate case. The consensus was to integrate it into the rate case to ensure comprehensive consideration. Additional details about the Governor's veto of a related bill and its impact on the Solid Waste program were also reviewed. No further action was taken.

- **PUC Quarterly Financial Review**

The Chairman Johnson announced that the next item of business on the agenda was the PUC Quarterly Financial Review. During the financial report, Commissioner Flores-Brooks noted that while the current balance of \$170,000 as of June 30 appears positive, it is misleading as it does not yet account for all expenses. The actual cash balance is \$300,000. The goal is to maintain \$50,000 in Time Certificates of Deposit (TCDs) each quarter, but only \$100,000 is currently invested. With anticipated federal rate drops in September, it was recommended to invest an additional \$50,000 in TCDs.

Commissioner Flores- Brooks moved to authorize an additional \$50,000 in TCD's at the best interest rate. The motion was seconded by Commissioner Perez- Camacho and was unanimously approved by the commissioners.


- **Approval of Hiring Replacement of Administrative Assistant to the PUC Administrator**

Chairman Johnson addressed the committee about the imminent departure of Colleen Chlarson, a valued administrative assistant, and acknowledged the need to hire a replacement. Ms. Salas, a prospective candidate introduced by Mrs. Chlarson, was discussed, and approved for hiring, who has a strong background and is flexible with her availability, will be trained by Mrs. Chlarson before her departure.

Commissioner Montinola made the motion to approve the hiring of Sheila Salas. The motion was seconded by Commissioner Perez-Camacho and was unanimously approved by the Commissioners.

6. Adjournment

There being no further business, the Chairman Johnson moved to adjourn the meeting, which motion was seconded by Commissioner Montinola. The motion passed unanimously and the meeting was adjourned at 7:10 p.m.



Jeffrey Johnson
Chairman

ATTACHMENT A
THE GUAM PUBLIC UTILITIES COMMISSION
NOTICE OF PUBLIC MEETING

NOTICE IS HEREBY GIVEN that the Guam Public Utilities Commission [PUC] will conduct a regular business meeting, commencing at 6:30 p.m. on July 25, 2024, Suite 703, GCIC Building, 414 W. Soledad Ave., Hagatna.

The following business will be transacted:

Agenda

- 1. Call to Order**
- 2. Approval of Minutes of May 16 and May 30, 2024**
- 3. Guam Power Authority**
 - **GPA Docket No. 24-16: Petition to Approve the Energy Conversion Agreement (ECA) Amendment for the Ukudu Power Plant; ALJ Report; and Proposed Order**
 - **GPA Docket No. 24-20: Petition of the Guam Power Authority to Maintain the Levelized Energy Adjustment Clause (LEAC) for the period of August 1, 2024 through January 31, 2025; ALJ Report; and Proposed Order**
- 4. Guam Waterworks Authority**
 - **GWA Water Loss Control Program (WLCP) Status Report (for informational purposes only)**
- 5. Administrative Matters**
 - **Request for an Increase of the Host Community Premium (HCP) Surcharge**
 - **PUC Quarterly Financial Review**
 - **Approval of Hiring Replacement of Administrative Assistant to the PUC Administrator**
- 6. Adjournment**

Further information about the meeting may be obtained from the PUC's Administrator Lourdes R. Palomo at 671-472-1907. Those persons who require special accommodations, auxiliary aids, or services to attend the meeting should also contact Mrs. Palomo.

This Notice is paid for by the Guam Public Utilities Commission

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

PETITION TO APPROVE THE)	GPA DOCKET 24-16
ENERGY CONVERSION)	
AGREEMENT (ECA) AMENDMENT)	ORDER
FOR THE UKUDU POWER PLANT)	
BY GUAM POWER AUTHORITY)	
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INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC” or the “Commission”) pursuant to the April 9, 2024 Petition to Approve the Energy Conversion Agreement (ECA) Amendment for the Ukudu Power Plant (the “Petition”), filed by the Guam Power Authority (“GPA”).

On July 23, 2024, the Administrative Law Judge of the PUC (the “ALJ”) assigned to this matter filed an ALJ Report that included his findings and recommendations based on the administrative record before the PUC. The ALJ found the following.

DETERMINATIONS

In November 5, 2019, an ECA was entered into between GPA and Guam Ukudu Power, LLC (“GUP”) for the construction, operation, and eventual transfer of the new 198MW power plant located in Ukudu, Dededo.¹ As indicated in an Order issued in GPA Docket 19-13, “the PUC has been intricately involved in reviewing GPA’s plans for generation capacity and a New Power Plant”; and that the “PUC has worked with GPA in the development of [this new plant], the procurement process, the procurement forms, the technical specifications for the Plant, the land siting of the Plant, pipeline improvements,

¹ Petition, p. 1.

and numerous other aspects.”² Indeed, “[t]he record establishes that the PUC has conducted an extensive review of GPA’s plans for a New Power Plant over the last 10 years.”³

Part of the PUC’s review included its examination of the ECA between GPA and GUP, or KEPCO at that time.⁴ The PUC therefore, through its review, approved the proposed Fixed Capacity, Fixed Operation and Maintenance, Variable Operation and Maintenance, and Fuel charges and costs.⁵

Subsequently, on February 25, 2021, GPA requested PUC approval of certain proposed amendments to the ECA. In particular, the PUC approved the elimination of a 65MW diesel reserve facility at Ukudu, replaced instead with a 41MW diesel reserve facility at Cabras; and rescheduling the Commercial Operation Date from October 31, 2022 to April 2024, with a November 30, 2023 target date.⁶

On February 23, 2023, the PUC approved the total cancelation of the Cabras 41MW Reserve Facility based on a substantial increase of the cost of such facility.⁷ The PUC further required GPA to file an amended ECA reflecting the cancelation of the Reserve Facility.⁸

² Order, GPA Docket 19-13, p. 1 (Oct. 31, 2019).

³ Order, GPA Docket 19-13, p. 2.

⁴ Order, GPA Docket 19-13, p. 3.

⁵ Order, GPA Docket 19-13, p. 3.

⁶ Order, GPA Docket 21-07, p. 11 (Feb. 25, 2021).

⁷ Order, GPA Docket 23-07, p. 7 (Feb. 23, 2023).

⁸ Order, GPA Docket 23-07, p. 7.

A. Contract Review Protocol

Pursuant to 12 G.C.A. §12105, GPA may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC's express approval. Furthermore, GPA's Contract Review Protocol requires that "[a]ll professional service procurements in excess of \$1,500,000" require "prior PUC approval . . . which shall be obtained before the procurement process is begun."⁹

B. GPA's Request for Approval of Certain Amendments to the ECA

As indicated in its Petition, GPA requests approval of amendments made to the ECA. It has submitted with its Petition a proposed Third Amended and Restated Energy Conversion Agreement for PUC review.

Specifically, GPA submits that a change in law regarding the National Pollutant Discharge Elimination System ("NPDES") permit for GWA, issued by the U.S. E.P.A., now requires GWA to treat spent cooling water for phosphate removal in order for it to comply with its NPDES permit.¹⁰ GPA contends that it must now compensate GUP for the construction cost of \$2,732,123 and about \$100,000 annually for operation costs associated with the GUP's treatment of phosphate.¹¹

In addition, while GPA intended on building a diesel Reserve Facility at Cabras, instead of at Ukudu, the costs associated with constructing such facility increased from \$57 million to \$97 million. Due to this significant increase in the cost of new diesel engines,

⁹ GPA's Contract Review Protocol ("GPA CRP"), Administrative Docket 00-04, p. 1 (Feb. 15, 2008) (emphasis in original).

¹⁰ Petition, pp. 1-2.

¹¹ Petition, p. 2.

GPA requested approval to eliminate the 41MW Reserve Facility altogether, which the PUC approved in GPA Docket 23-07.

GPA submitted that from a total of \$21.8 million in costs already extended to the planning and construction of the Reserve Facility, as well as costs related to compliance with unanticipated permitting conditions, and permit delays, lodged by GUP, GPA has determined that it reasonably owes GUP \$6,559,205 for these costs.¹² GPA further submitted that it will reimburse such costs through the adjustment of the Fixed Capacity Charge.¹³ Accordingly, this Third Amended ECA contains the broad deletion of references to a Reserve Facility.

Moreover, GPA maintained that as result of Typhoon Mawar's destructive winds in May of 2023, the Ukudu Power Plant sustained significant damage, which required demolition, repairs to, and replacement of, water and fuel tanks throughout the plant.¹⁴ Consequently, GPA negotiated a new Commercial Operation Date with GUP, amending this date to September 30, 2025.¹⁵

Further, as an incentive for GUP to bring the plant online by that date, GPA has agreed to pay GUP \$4,000,000 as an accelerated cost payment if GUP is able to commercially operate on or before September 30, 2025.¹⁶ According to GPA, any such accelerated cost payment shall be funded through an adjustment of the Fixed Capacity

¹² Petition, pp. 2-3.

¹³ Petition, p. 3.

¹⁴ Petition, p. 3.

¹⁵ Petition, p. 3.

¹⁶ Petition, p. 3.

Charge or through a Supplemental Charge.¹⁷ Otherwise, if the Commercial Operation Date occurs on a date after September 30, 2025, then GPA is entitled to liquidated damages, at a cost of \$240,000 per day.¹⁸

Additionally, in line with accelerating this new Commercial Operation Date, the parties have agreed that GPA will provide the “First Fill” requirement, which GUP was originally required to provide.¹⁹ Under this new arrangement, GUP will repay GPA the cost of this First Fill “in monthly payments over a seven-year payback period with no interest.”²⁰

GPA has also agreed to fund a backup water supply pipeline, which is estimated at \$1,807,503 for the construction of the additional pipeline.²¹ This additional cost will be funded through a recalculation of the Fixed Capacity Charge.²² All other components, responsibilities, and provisions contained in the ECA remain unchanged.

1. **Costs Related to the New NPDES Requirement and Elimination of the Reserve Facility**

GPA submitted that the Ukudu Power Plant is required to treat spent cooling water for phosphate removal under GWA’s NPDES permit. GPA has agreed to compensate GUP the amount of \$2,732,123 for construction costs related to this NPDES requirement, as well as an estimated \$100,000 annually for the phosphate treatment system. These costs

¹⁷ Petition, p. 3.

¹⁸ Petition, p. 3.

¹⁹ Petition, pp. 3-4.

²⁰ Petition, pp. 3-4.

²¹ Petition, p. 4.

²² Petition, p. 4.

will be tied to the Fixed Capacity Charge, as well as the Fixed and Variable Operations and Maintenance costs.²³

With respect to the Reserve Facility costs, according to GPA, certain events led to the cancelation of the construction of a Reserve Facility. The most substantial event, according to GPA, was once the Reserve Facility was allowed to be constructed in Piti by the Guam Legislature, the estimate for the construction of the diesel generators for the Reserve Facility increased from \$57 million to \$97 million.²⁴ This significant increase in cost was prohibitive enough for GPA to fully cancel the construction of the Reserve Facility.²⁵ Indeed, the last section of the ECA formally memorializes the parties' cancelation of the Reserve Facility. Specifically, the provision indicates that the scope of this particular project is eliminated and that all obligations of the parties as to the Reserve Facility are terminated.

Owing to costs related to the Reserve Facility, GUP submitted a claim to GPA that it incurred a total of \$2.53 million in work related to the Reserve Facility.²⁶ This cost is comprised of about \$960,000.00 in legal fees; \$440,000.00 in environmental advisory fees; and \$1.12 million in land surveyor and title insurance fees.²⁷ GUP submitted additional claims to GPA: such as compensation for costs related to compliance with unanticipated permitting conditions, costs related to Heavy Haul permit delays, and costs due to a

²³ See ECA "Schedule 4", pp. 9-12, attached.

²⁴ GPA Resolution No. FY2024-17, pp. 1-2 (Mar. 26, 2024).

²⁵ GPA Resolution No. FY2024-17, p. 2 (Mar. 26, 2024).

²⁶ GUP Letter to GPA, Re: Request for Cost Compensation and Scheduling Accommodation, pp. 3-4 (Apr. 7, 2023).

²⁷ GUP Letter to GPA, Re: Request for Cost Compensation and Scheduling Accommodation, pp. 3-4 (Apr. 7, 2023).

pipeline construction delay.²⁸ The amount for these claims totaled about \$21.76 million. After months of negotiations, GPA maintained that it has reviewed these claims and has determined that GUP is owed \$6,559,205.²⁹ GPA submitted that compensation for these expenses are appropriate through the Fixed Capacity Charge, which will be adjusted to account for these expenses.³⁰

2. Revised Commercial Operation Date and First Fill Payment Delay

According to GPA, the damaging winds of Typhoon Mawar in May of 2023 caused significant damage to the Ukudu Power Plant, which required some demolition and rebuilding of water and fuel tanks, along with repairs to other parts of the power plant, including significant delays to the construction schedules.³¹ GUP submitted a request to GPA for additional compensation to lessen project delays. Due to these circumstances, and after a few months of negotiations, GUP and GPA agreed on a new Commercial Operation Date: September 30, 2025.³²

As part of this agreement, GPA indicated that it will compensate GUP \$4 million to essentially accelerate its completion of the power plant by September 30, 2025.³³ If GUP completes the power plant by September 15, 2025, GPA has agreed to add an additional \$1

²⁸ GUP Letter to GPA, Re: Request for Cost Compensation and Scheduling Accommodation, pp. 4-8 (Apr. 7, 2023); *See also* GPA Resolution No. FY2024-17, p. 2 (Mar. 26, 2024).

²⁹ GPA Resolution No. FY2024-17, p. 2 (Mar. 26, 2024).

³⁰ GPA Resolution No. FY2024-17, p. 2 (Mar. 26, 2024); *See* ECA “Schedule 4”, pp. 9-12, attached.

³¹ Petition, p. 3.

³² Petition, p. 3.

³³ GPA Resolution No. FY2024-17, p. 2.

million, on top of the \$4 million, as part of the acceleration payment.³⁴ Otherwise, the proposed amended liquidated damages provision allows GPA to immediately assess a liquidated damages fee of \$240,000 per day beyond September 30, 2025.³⁵ Any applicable acceleration fees will be covered by an adjustment to the Fixed Capacity Charge, which is identified as a “Performance Incentive.”³⁶ GPA submitted that the acceleration of operations of the Ukudu Power Plant by four (4) months would “provide the reliable power sooner but also provide a net fuel savings of approximately \$13.7 million.”³⁷

With respect to the provisions regarding the procurement and delivery of fuel required for start up, testing and commissioning, under Section 3.3.2 of the ECA, the parties have agreed that GPA will pay for the cost of the “First Fill” of Ultra-low Sulfur Diesel fuel in an amount equal to the amount of fuel necessary to operate the plant for at least 30 days. Accordingly, the parties have agreed to modify this provision to require that GUP reimburse GPA for the cost of this “First Fill” (without markup or interest). In particular, the parties modified this provision such that GUP will reimburse GPA for this First Fill “in equal monthly installments during the first seven (7) years of the Commercial Operation Period either by making monthly payments to GPA or by deducting the monthly installment amount from monthly invoices issued to GPA.” GPA submitted that its provision of this First Fill is meant to further support GUP’s efforts to accelerate the completion of the Ukudu Power Plant.³⁸

³⁴ GPA Resolution No. FY2024-17, p. 2.

³⁵ GPA Resolution No. FY2024-17, p. 2.

³⁶ See ECA “Schedule 4”, pp. 9-12, attached.

³⁷ GPA Resolution No. FY2024-17, p. 2.

³⁸ GPA Resolution No. FY2024-17, p. 3.

3. **Summary of Additional Costs and Savings Related to Amendments**

Original ECA Total Contract Price	\$571,000,000	
Proposed Amendments	Additional Costs	Savings
Cancelation of Reserve Facility		\$57,300,000
Costs related to Reserve Facility and Permit Delays	\$6,559,205	
Costs related to Backup Potable Waterline	\$1,807,503	
Costs related to Construction of Phosphate Treatment Facility	\$2,732,123	
Costs related to Full Payment of Performance Incentive	\$5,000,000	
Subtotals	\$16,098,831	\$57,300,000
New ECA Total Contract Price	\$529,798,831	

Moreover, GPA submitted that they will save an additional \$13.7 million in net fuel costs should the power plant come online by September 30, 2025.

CONCLUSION

As indicated above, the ALJ found that “the PUC has been intricately involved in reviewing GPA’s plans for generation capacity and a New Power Plant”; and “[t]he record establishes that the PUC has conducted an extensive review of GPA’s plans for a New Power Plant over the last 10 years.”³⁹ It is clear that the PUC has supported the commissioning of the Ukudu Power Plant and that its support of this huge endeavor has never wavered. Unfortunately, with construction projects of this scale, there have been some setbacks, which were noted in the record, but most significantly, the very damaging effects of Typhoon Mawar back in May of 2023. This led to some necessary amendments

³⁹ Order, GPA Docket 19-13, p. 2.

to the ECA which require PUC approval. The record reflects that the parties have negotiated in good faith in settling certain differences.

The ALJ further found that additional costs sustained as a result of the issues noted in this docket appear to pale in comparison to the cost savings that GPA estimates it will achieve once the Ukudu Power Plant is in operation. Therefore, the commissioning of the Ukudu Power Plant, sooner rather than later, will indeed benefit ratepayers long-term. Further, the impact of such costs is reflected in the proposed amended “Schedule 4, Determination of Tariff” to the ECA. As shown in Schedule 4, the yearly Fixed Capacity Charge will be reduced by 4.348% owing to the elimination of the Reserve Facility.

Accordingly, based on the documentation provided by GPA in this docket, and for the other reasons set forth herein, the ALJ recommended that the PUC approve GPA’s Petition. The ALJ further recommended that GPA should be authorized to amend the ECA, which should include adjusting the Fixed Capacity Charge and Fixed and Variable O&M Charges to compensate GUP for the claims raised, and resolved between the parties, related to additional work and to accelerate the operation date of the Ukudu Power Plant. Accordingly, the ALJ recommended that the proposed Third Amended ECA between GPA and GUP should be approved.

The Commission hereby adopts the findings in the July 23, 2024 ALJ Report and therefore issues the following.

ORDERING PROVISIONS

Upon careful consideration of the record herein, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS the following:

1. That the instant Petition is hereby APPROVED.
2. GPA is authorized to amend the ECA and its corresponding schedules, which includes adjusting the Fixed Capacity Charge and Fixed and Variable O&M Charges to compensate GUP for the claims raised, and resolved between the parties, related to additional work and to accelerate the operation date of the Ukudu Power Plant.
3. GPA shall file with the PUC an executed copy of the Third Amended and Restated ECA.
4. GPA is ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with this matter. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the PUC.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

SO ORDERED this 25th day of July, 2024.

JEFFREY C. JOHNSON
Chairman

ROWENA E. PEREZ-CAMACHO
Commissioner

JOSEPH M. MCDONALD
Commissioner

PETER MONTINOLA
Commissioner

MICHAEL A. PANGELINAN
Commissioner

DORIS FLORES BROOKS
Commissioner

P243014.JRA

SO ORDERED this 25th day of July, 2024.



JEFFREY C. JOHNSON
Chairman



ROWENA E. PEREZ-CAMACHO
Commissioner



JOSEPH M. MCDONALD
Commissioner



PETER MONTINOLA
Commissioner

MICHAEL A. PANGELINAN
Commissioner



DORIS FLORES BROOKS
Commissioner

P243014.JRA

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 24-20
)
Guam Power Authority Levelized Energy)
Adjustment Clause (LEAC)) **ORDER**
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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 maintain the current LEAC Factor of \$0.261995/kWh for the period from August 1, 2024, through January 31, 2025.¹ On January 25, 2024, the PUC increased the LEAC Factor from \$0.231144 to \$0.261995/kWh for meters read on or after February 1, 2024.² GPA now seeks to maintain the same Factor in effect for the next six-month period, from August 1, 2024, through January 31, 2025.³

BACKGROUND

In GPA Resolution No. FY2024-22, dated May 28, 2024, the Guam Consolidated Commission on Utilities authorized GPA Management to petition the PUC to maintain the current LEAC Factor for the next six-month period.⁴

¹ GPA Petition, In the Matter of: Guam Power Authority Levelized Energy Adjustment Clause (LEAC), GPA Docket 24-20, dated June 7, 2024.

² PUC Order, GPA Docket 24-08, dated January 24, 2024, at p. 6.

³ GPA Petition at p. 2.

⁴ Guam Consolidated Commission on Utilities, GPA Resolution No. FY2024-22, Authorizing the Management of the Guam Power Authority to Petition the Guam Public Utilities Commission to Maintain the Levelized Energy Adjustment Clause (LEAC) for the Period of August 1, 2024 through January 31, 2025.

GPA's basis for seeking to maintain the current LEAC Factor in effect for the next six-month period can be traced back to the last LEAC proceeding in January 2024 (GPA Docket 24-08). At that time (as of January 31, 2024), the fuel expense under-recovery balance was over \$33M. Instead of seeking full recovery of the balance, GPA recommended an updated secondary Fuel Recovery Factor of \$0.261995/kWh, which would recover 50 % of the under-recovery balance by July 31, 2024.⁵ GPA estimated that the under-recovery balance would be \$18.5M, at 50% recovery, as of July 31, 2024. The PUC approved a 50% recovery of the under-recovery balance for the period from February 1, 2024, to July 31, 2024.⁶

As indicated below, GPA believes that, by maintaining the current secondary Fuel Recovery Factor of \$0.261995/kWh in effect until January 31, 2025, the LEAC fuel under-recovery balance will be substantially reduced.

On July 10, 2024, 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 July 18, 2024, MCG provided its Report in response to GPA's Petition to maintain the existing LEAC Factors.⁷ Copies of the MCG Report have been provided to the Commissioners.

The ALJ filed his Report herein dated July 19, 2024.⁸

⁵ Email from Marianne Woloschuk to PUC ALJ Fred Horecky, Re: Requests for Information, GPA Docket 24-08, dated January 17, 2024.

⁶ PUC Order, GPA Docket 24-08, dated January 24, 2024, at p. 5-6; see also Exhibit 2 to ALJ Report, GPA Docket,24-08, dated January 19, 2024.

⁷ Marianas Consulting Group, Report in GPA Docket 24-20, dated July 18, 2024.

⁸ ALJ Report, GPA Docket 24-20, dated July 19, 2024.

DETERMINATIONS

I. IF GPA MAINTAINS THE CURRENT LEAC FACTOR OF \$0.261995/ KWH FOR THE NEXT 6-MONTH PERIOD, GPA'S FUEL UNDER-RECOVERY BALANCE WILL BE SUBSTANTIALLY REDUCED.

GPA's petition initially indicated that there would be an **over-recovery** balance of \$2,186,000 as of January 25, 2025.⁹ However, in its Updated Proposed LEAC Rate, dated July 12, 2024 (attached to the ALJ Report as Exhibit "A"), GPA now estimates that the **under-recovery** balance as of January 31, 2025 will be \$5,502,000.¹⁰ If the current LEAC Factor is maintained for the next 6-month period, there would be an overall reduction in the fuel expense under-recovery of approximately \$14.5M. The present under-recovery balance is roughly \$20M.¹¹

The MCG Report has predicted a lower under-recovery balance as of January 31, 2025 at \$4.65M.¹²

Another justification for maintaining the LEAC Factor of \$0.261995/kWh for the next 6-month period is that there has been a small decrease in the cost of fuel. For the period of February 24 – July 24, the average price per Bbl-RFO & ULSFO 0.20% was approved at \$139.31/bbl., and the approved average price of Bbl-Diesel was \$105.79.¹³ However, for the period of August 24 – January 25, GPA estimates that the average price per Bbl-RFO & ULSFO 0.20% will be \$131.07; the average price per Bbl-Diesel will be \$108.70.

⁹ GPA Resolution No. FY2023-06, at Exhibit A.

¹⁰ Email from GPA Representative Maripaz Perez to PUC ALJ Frederick J. Horecky, dated July 16, 2024, with an updated "LEAC Summary". The Summary is attached to the ALJ Report as Exhibit "A".

¹¹ Exhibit "A", attached to the ALJ Report.

¹² Marianas Consulting Group, Report in GPA Docket 24-20, dated July 18, 2024, at p. 2.

¹³ ALJ Report, GPA Docket 24-08, dated January 19, 2024, at Exhibit "2".

For the period of August 24 – January 25, MCG has estimated an even lower price per Bbl-RFO & ULSFO 0.20% at \$128.79.¹⁴

As GPA indicates, the average market price of fuel used in the current period was approved at \$116.99/bbl; the projected average price of fuel for the period ending January 31, 2025, is expected to be \$112.73/bbl¹⁵ (later corrected to \$116.11).

II. THE PUC WILL MAINTAIN THE LEAC FACTOR AT \$0.261995/KWH FOR THE PERIOD FROM AUGUST 1, 2024, THROUGH JANUARY 31, 2025.

If the current LEAC rate is maintained, the fuel expense under-recovery should be reduced to \$5.5M according to GPA, and even possibly to \$4.6M according to MCG.

For many years, and in numerous dockets, GPA has agreed that a gradual recovery of fuel expense owed by ratepayers can occur over a reasonable period, even years. To illustrate, for the current LEAC period, GPA accepted a LEAC Factor which would only recover 50% of fuel expense owed. GPA has determined that it is preferable to delay recovery of a portion of the fuel expense owed as opposed to burdening ratepayers with large increases in the cost of fuel and the LEAC Factor.

In its Report, MCG has indicated that for full recovery of the fuel under-recovery balance during the next LEAC period, the LEAC Factor would have to be raised to \$0.269561/kWh.¹⁶ Nevertheless, MCG recommends that the PUC maintain the current LEAC Factor.

¹⁴ Marianas Consulting Group, Report in GPA Docket 24-20, dated July 18, 2024, at p. 2.

¹⁵ GPA Petition at p. 2.

¹⁶ Id.

ORDERING PROVISIONS

After carefully reviewing the record in this proceeding, having considered the LEAC Petition of GPA, the Report of PUC Consultant Marianas Consulting Group, and the Administrative Law Judge Report, and after discussion at a duly noticed regular meeting held on July 25, 2024, 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 secondary Fuel Recovery Factor of \$0.261995/kWh shall remain in effect for meters read on or after August 1, 2024.
2. The current singular LEAC factors are hereby maintained, effective August 1, 2024, as shown in the following table:

LEAC	
Delivery Classification	\$ per kWh
Secondary -	\$0.261995
Primary – 13.8 KV	\$0.254148
Primary – 34.5 KV	\$0.253416
Transmission – 115 KV	\$0.250297

For the entire LEAC period, there is no change in the total bill of the average residential customer.

3. GPA should file for a change in the LEAC factors to be effective February 1,

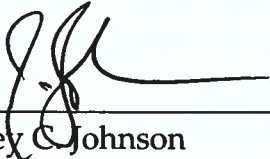
2025, on or before December 15, 2024.

4. GPA shall file updates with the PUC on actual costs to date versus the cost estimates included in its Petition in this docket for each of six months for the period from July 2024 through January 2025 as soon as such actual costs become available.

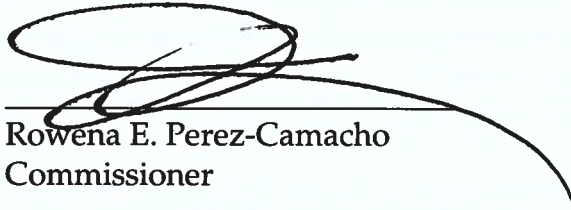
5. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

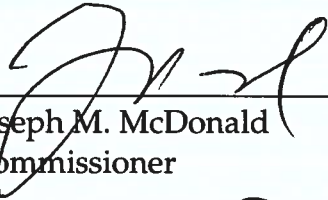
Dated this 25th day of July 2024.



Jeffrey C. Johnson
Chairman



Rowena E. Perez-Camacho
Commissioner



Joseph M. McDonald
Commissioner

Michael A. Pangelinan
Commissioner



Peter Montinola
Commissioner



Doris Flores Brooks
Commissioner