

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF: ) GPA Docket 24-20  
)  
Guam Power Authority Levelized Energy )  
Adjustment Clause (LEAC) ) **ALJ REPORT**  
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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.<sup>1</sup> 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.<sup>2</sup> GPA now seeks to maintain the same Factor in effect for the next six-month period, from August 1, 2024, through January 31, 2025.<sup>3</sup>

**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.<sup>4</sup>

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

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

<sup>3</sup> GPA Petition at p. 2.

<sup>4</sup> 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.<sup>5</sup> 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.<sup>6</sup>

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.<sup>7</sup> Copies of the MCG Report have been provided to the Commissioners.

## ANALYSIS

### **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.**

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

<sup>6</sup> 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.

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

GPA's petition initially indicated that there would be an **over-recovery** balance of \$2,186,000 as of January 25, 2025.<sup>8</sup> However, in its Updated Proposed LEAC Rate, dated July 12, 2024 (attached hereto as Exhibit "A"), GPA now estimates that the **under-recovery** balance as of January 31, 2025 will be \$5,502,000.<sup>9</sup> 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.<sup>10</sup>

The MCG Report has predicted a lower under-recovery balance as of January 31, 2025 at \$4.65M.<sup>11</sup>

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.<sup>12</sup> 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.

For the period of August 24 – January 25, MCG has estimated an even lower price per Bbl-RFO & ULSFO 0.20% at \$128.79.<sup>13</sup>

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<sup>8</sup> GPA Resolution No. FY2024-22, at Exhibit A.

<sup>9</sup> 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 hereto as Exhibit "A".

<sup>10</sup> Exhibit "A", attached hereto.

<sup>11</sup> Marianas Consulting Group, Report in GPA Docket 24-20, dated July 18, 2024, at p. 2.

<sup>12</sup> ALJ Report, GPA Docket 24-08, dated January 19, 2024, at Exhibit "2".

<sup>13</sup> Marianas Consulting Group, Report in GPA Docket 24-20, dated July 18, 2024, at p. 2.

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/bbl<sup>14</sup> (later corrected to \$116.11/bbl).

**II. THE PUC SHOULD 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, the LEAC Factor would have to be raised to \$0.269561/kWh.<sup>15</sup> Nevertheless, MCG recommends that the PUC maintain the current LEAC Factor. The ALJ supports MCG's recommendation.

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<sup>14</sup> GPA Petition at p. 2.

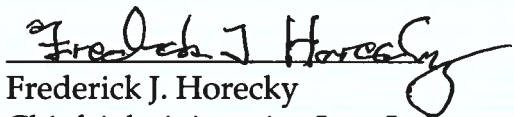
<sup>15</sup> Id.

**RECOMMENDATION**

For the reasons stated in this Report, the Administrative Law Judge recommends that the PUC approve the Petition of GPA to maintain the current LEAC Factor of 0.261995 per kWh for meters read on or after August 1, 2024, and through January 31, 2025.

A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 19<sup>th</sup> day of July, 2024.

  
Frederick J. Horecky  
Chief Administrative Law Judge

**GPA**

**Proposed LEAC Rate (\$000)**

Update as of 7/12/2024

Actuals as of 5/31/2024

AUG 24 - JAN 25	
MS Pricing from 07.08.24 to 07.12.24	
No Change	
Average Price per Bbl-RFO & ULSFO 0.20%	\$ 131.07
Average Price per Bbl-Diesel	\$ 108.70
Number 6 (HSFO/LSFO)	\$ 61,916
Number 2 (Diesel)	103,925
Renewable (Solar)	\$ 9,461
<b>TOTAL COST</b>	<b>\$ 175,302</b>
Handling Costs	\$ 9,339
Total Current Fuel Expense	\$ 184,641
Civilian Allocation	79.219%
LEAC Current Fuel Expense	\$ 146,271
Estimated DSM for this period	\$ -
Deferred Fuel Expense at the beginning of the period	\$ 20,173
Total LEAC Expense	\$ 166,443
Less: Trans. Level Costs	\$ 9,254
Distribution Level Costs	\$ 157,189
Over recovery/(Under) at the end of the period	<b>\$ (5,502)</b>
Adjusted Distribution Level Costs	\$ 151,687
Distribution Level Sales (mWh)	578,971
LEAC Factor Distribution	<b>\$0.261995</b>
Current LEAC Factor Distribution	\$ 0.261995
Increase/(Decrease)	-
Monthly Increase/(Decrease) - 1000 kWh	\$ -
% Increase/(Decrease) in LEAC	0.00%
% Increase/(Decrease) in Total Bill	0.00%
Discount (3%) - Primary 13.8 KV	\$ 0.254148
Discount (4%) - 34.5 KV	\$ 0.253416
Discount (5%) - 115 KV	\$ 0.250297