

**Marianas Consulting Group  
Hagatna, Guam**

July 18, 2024

Mr. Fred Horecky  
Administrative Law Judge  
Guam Public Utilities Commission  
Suite 207, GCIC Building  
Hagatna, Guam 96932



Re: **Guam Power Authority Docket 24-20**

Dear Mr. Horecky:

This report is in response to Guam Power Authority's (GPA's) petition for approval to adjust the existing Levelized Energy Adjustment Clause (LEAC) factors for the six-month period commencing August 1, 2024.

GPA is requesting that the current LEAC rate of \$0.261995 per kWh for secondary distribution service be maintained for meters read on or after August 1, 2024 through January 31, 2025.

GPA has indicated in their original filing that maintaining the existing LEAC factor should result in recovery of the projected fuel cost under-recovery as of July 31, 2024. GPA did not include costs associated with the Demand Side Management (DSM) rebate program for the period from August 1, 2024 through January 31, 2025, as funds previously collected have not been exhausted.

**Proposed LEAC Factors**

The following Exhibit 1 presents a comparison of GPA and Marianas Consulting Group (MCG) proposed LEAC factors for the six months ending January 31, 2025, including GPA's original filing in the above-mentioned docket dated June 7, 2024, GPA's revised calculations, MCG's calculation using GPA's proposed LEAC rate and MCG's calculation assuming a complete elimination of the LEAC under-recovery. The analysis presents proposed LEAC factors for both distribution and transmission level customers.

**Exhibit 1**

**Summary Of GPA Rates versus MCG  
Proposed LEAC Rate (\$000)**

August 24-January 2025				
	a	b	c	e
	GPA	GPA	MCG	MCG
	Original Filing	Revised		
	No Change			Full Recovery
1 Average Price per Bbl-RFO &ULSFO 0.20%	\$ 127.51	\$ 131.07	\$ 128.79	\$ 128.79
2 Average Price per Bbl-Diesel	\$ 105.43	\$ 108.70	\$ 108.70	\$ 108.70
3 Number 6 (HSFO/LSFO)	\$ 60,232	\$ 61,916	\$ 60,836	\$ 60,836
4 Number 2 (Diesel) <sup>(2)</sup>	\$ 100,803	\$ 103,925	\$ 103,925	\$ 103,925
5 Renewable (Solar)	\$ 9,461	\$ 9,461	\$ 9,461	\$ 9,461
6 TOTAL COST	\$ 170,496	\$ 175,302	\$ 174,222	\$ 174,222
7 Handling Costs	\$ 9,339	\$ 9,339	\$ 9,339	\$ 9,339
8 Total Current Fuel Expense	\$ 179,835	\$ 184,641	\$ 183,561	\$ 183,561
9 Civilian Allocation	79%	79%	79%	79%
10 LEAC Current Fuel Expense	\$ 142,463	\$ 146,271	\$ 145,416	\$ 145,415
11 Estimated DSM for this period				
12 Deferred Fuel Expense at the beginning of the period	\$ 16,292	\$ 20,173	\$ 20,173	\$ 20,173
13 Total LEAC Expense	\$ 158,755	\$ 166,444	\$ 165,589	\$ 165,588
14 Less: Trans. Level Costs	\$ 9,254	\$ 9,254	\$ 9,254	\$ 9,520
15 Distribution Level Costs	\$ 149,501	\$ 157,190	\$ 156,335	\$ 156,068
16 Over/(Under) recovery at the end of the period	\$ 2,186	\$ 5,502	\$ 4,647	\$ -
17 Adjusted Distribution Level Costs	\$ 151,687	\$ 151,688	\$ 151,688	\$ 156,068
18 Distribution Level Sales (mWh)	\$ 578,971	\$ 578,971	\$ 578,971	\$ 578,971
19 LEAC Factor Distribution	\$0.261995	\$0.261995	\$0.261995	\$0.269561
20 Current LEAC Factor Distribution	<b>\$0.261995</b>	<b>\$0.261995</b>	<b>\$0.261995</b>	<b>\$0.261995</b>
21 Increase/(Decrease)	\$ 0.000000	\$ 0.000000	\$ 0.000000	\$ 0.007566
22 Monthly Increase/(Decrease) - 1000 kWh	\$ 0.000091	\$ 0.000426	\$ 0.000475	\$ 7.566294
23 % Increase/(Decrease) in LEAC	0.0%	\$ 0.0%	0.0%	2.89%
24 % Increase/(Decrease) in Total Bill	0.0%	\$ 0.0%	0.0%	2.10%
25 Discount (3%) - Primary 13.8 KV	<b>\$0.254148</b>	<b>\$0.254148</b>	<b>\$0.254148</b>	<b>\$0.261460</b>
26 Discount (4%) - 34.5 KV	<b>\$0.253416</b>	<b>\$0.253416</b>	<b>\$0.253416</b>	<b>\$0.260707</b>
27 Discount (5%) - 115 KV	<b>\$0.250297</b>	<b>\$0.250297</b>	<b>\$0.250297</b>	<b>\$0.257497</b>

Note:

Original filing - Noon call forecast pricing is from May 13, 2024 to May 17, 2024

Revised Filing -Noon call forecast pricing is from July 8 to July 12, 2024

### Factors Impacting Fuel Costs

For the six month period ending January 31, 2025 (projection period), GPA utilized the Morgan Stanley (MS) Energy Noon call average price projections of energy prices for August 2024 through January 2025, determined in the period from May 13, 2024 through May 17, 2024 for their initial filing. The updated filing used the MS Energy Noon call energy price projections determined in the period from July 8 through July 12, 2024. GPA projects the delivered price of oil or diesel using the MS futures reports and adds the contract premiums explicit in its fuel contracts with its current fuel suppliers (Hyundai Corporation, IP&E Guam and Mobil Oil Guam). Exhibit 2 shows the forecast price of Number 6 oil and Number 2 diesel for the forecast period:

#### Exhibit 2

##### Fuel Cost Period August 2024 through January 2025

Description	GPA			MGC		
	No. 6 Ultra LSFO	No. 2 Diesel	Total	No. 6 Ultra LSFO	No. 2 Diesel	Total
Total Costs \$000's	\$61,916	\$103,925	\$165,841	\$60,836	\$103,925	\$164,761
Number of Barrels	472,382	956,086	1,428,268	472,382	956,086	1,428,268
Average Unit Costs	\$131.07	\$108.70	\$116.11	\$128.79	\$108.70	\$115.36

Quantities of each type of fuel utilized for the projection period are based on approved budgets. There are no major generation outages projected during the six months ending January 31, 2025, although there are several short maintenance outages budgeted during the period.

### Renewables

The cost of renewable energy purchased is forecasted at the contracted rates with NRG Solar and Korean Electric Power Corporation (KEPCO). The projections incorporate a slight increase in the contacted price per MWh purchased for the NRG Solar contract effective December 2024.

### Handling Costs

Handling costs include handling costs and several other cost items that over the years have been approved by the PUC for inclusion in the cost of fuel to be recovered under the LEAC. The proposed handling costs for the six month period ending January 31, 2025 are \$9.339 Million, which is a 45% increase over the estimated handling costs for the six months ending July 31, 2024. The major areas of increase are in storage tank rental costs, dock fees, Urea chemicals and interest.

Projected costs included fuel handling costs for the six months ending January 2025, appear to be PUC approved for inclusion in the LEAC rates, based on cost description.

**Cost Under-Recovery July 31, 2024**

GPA projected an under-recovery of LEAC costs of approximately \$16.2 Million as of July 31, 2024. After including the actual results for May 2024, correcting an error for that month and adjusting for updated MS fuel rates for June and July 2024, the projected under-recovery as of July 31, 2024 is \$20.3 Million. Exhibit 3 presents a comparison of the projected under-recovery as of July 31, 2024, with the GPA projected under-recovery in their original LEAC filing for the period from January through July 2024.

**Exhibit 3**

LEAC Analysis  
 LEAC Period Ending July 31, 2024  
 In Millions \$

		With Actuals through May 2024	Variance Favorable (Unfavorable)	
	<u>Civilian Sales and Fuel Costs</u>	<u>Original filing</u>		
A	Beginning Under recovery	\$ 33.3	\$ 33.3	-\$0.0
B	Sales	\$ 158.3	\$ 159.8	\$1.5
C	Fuel Costs	\$ 126.3	\$ 132.2	-\$5.9
D	Fuel Handling Costs	\$ 5.6	\$ 5.2	\$0.4
E	Renewables	\$ 9.3	\$ 9.4	-\$0.1
F	Total			-\$4.1

Note 1 Civilian share of costs is approximately 79% of total costs. 21% is allocated to the Navy.

Note 2 The under-recovery at July 31, 2024 per the original filing was \$16.2 Million. With the additional \$4.1 million under-recovery, the revised under-recovery is \$20.3 Million.

**Conclusions**

Maintaining the existing LEAC rate of \$0.261995 for the six months ending January 31, 2025 will result in a projected under-recovery of fuel related costs of approximately \$4.6 Million at January 31, 2025, based on current estimated fuel costs. To achieve a full recovery of fuel costs as of January 31, 2025, an estimated LEAC rate of \$0.269561 will be necessary. MCG recommends that the PUC maintain the current rates.

\* \* \* \* \*

Mr. Fred Horecky  
Administrative Law Judge  
Guam Public Utilities Commission  
July 18, 2024

Page 5

We appreciate the opportunity to review this LEAC rate adjustment request. If there are questions on any part of this report or if Marianas Consulting Group can be of further service, please do not hesitate to contact Lee Vensel or Cora Montellano.

Respectfully submitted,



Lee H. Vensel  
Marianas Consulting Group