



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 25-05
)
Guam Power Authority Levelized Energy)
Adjustment Clause (LEAC)) **ALJ REPORT**
)
)
)
_____)

INTRODUCTION

This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Petition of the Guam Power Authority [“GPA”] to reduce the current LEAC Factor from \$0.261995/kWh to \$0.208802/kWh for the period from February 1, 2025, through July 31, 2025.¹ On July 25, 2024, the PUC maintained the LEAC Factor at \$0.261995/kWh for meters read on or after August 1, 2024.² GPA now seeks to reduce the LEAC factor by over 5.3 cents per kWh for the next six-month period.³

BACKGROUND

In GPA Resolution No. FY2025-03, dated November 26, 2024, the Guam Consolidated Commission on Utilities authorized GPA Management to petition the PUC to reduce the current LEAC Factor for the next six-month period.⁴

GPA’s basis for seeking to reduce the current LEAC Factor is that there has been a reduction in fuel prices

¹ GPA Petition, In the Matter of: Guam Power Authority Levelized Energy Adjustment Clause (LEAC), GPA Docket 25-05, dated December 15, 2024.

² PUC Order, GPA Docket 24-20, dated July 25, 2024, at p. 5.

³ GPA Petition at p. 2.

⁴ Guam Consolidated Commission on Utilities, GPA Resolution No. FY2025-03, To Authorize the Management of the Guam Power Authority to Petition the Guam Public Utilities Commission to Reduce the Levelized Energy Adjustment Clause (LEAC) for the Period of February 1, 2025, through July 31, 2025, adopted and approved on November 26, 2024.

Over the past year, GPA has been able to substantially reduce the LEAC under recovery balance. As of January 31, 2024, the fuel expense under recovery balance was over \$33M.⁵ However, as of January 31, 2025, GPA estimates that there will be an over-recovery balance of \$4.285M.⁶

On January 3, 2025, 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 January 22, 2025, 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.

ANALYSIS

I. THE REDUCTION OF THE LEAC FACTOR IS JUSTIFIED BY THE DECLINE IN FUEL PRICES.

In the current LEAC period (August 1, 2024, through January 31, 2025), the average market price of fuel was approved at \$116.11/bbl. The projected average price of fuel for the for the period from February 1, 2025, through July 31, 2025, is expected to be \$100.01/bbl.⁸

The Morgan Stanley Fuel Pricing for the current LEAC period and the next six-month period also indicates the substantial decrease that has occurred in fuel prices. For the current LEAC period (August 1, 2024-January 31, 2025), the average price per Bbl-RFO

⁵ ALJ Report, GPA Docket 24-20, dated July 19, 2024, at p. 2.

⁶ GM Report Work Session Presentation on LEAC - Nov 2024 Justification, at p. 6.

⁷ Marianas Consulting Group, Report in GPA Docket 25-05, dated January 23, 2025.

⁸ GPA Petition at p. 2.

& ULSFO 0 20% was \$131.07. The average price per Bbl-Diesel was \$108.70⁹. According to GPA's Petition, for the next LEAC period (February 1, 2025 to July 31, 2025), the average price per Bbl-RFO & ULSFO 0 20% is \$113.63. The average price per Bbl-Diesel is \$94.24¹⁰. For RFO & ULSFO, the price decreased by roughly 14%. For Diesel, the price also decreased by roughly 14%.

II. THE UPDATED MORGAN STANLEY ASIA MORNING CALL FUEL PRICES FOR JANUARY 13-17, 2025, INDICATE THAT FUEL PRICES HAVE RISEN SINCE GPA FILED ITS PETITION; HOWEVER, THE PUC SHOULD NOT RAISE THE LEAC FACTOR TO \$0.219673/KWH FOR THE PERIOD FROM FEBRUARY, 2025, THROUGH JULY 31, 2025.

On January 21, 2025, GPA filed the latest Morgan Stanley fuel pricing reports from January 13-17, 2025.¹¹ PUC consultant MCG filed its Report with the PUC on January 23, 2025.¹² That Report, based upon the increases in fuel pricing between January 13 and 17, 2025, indicates that, for GPA to fully recover its "under-recovery" on fuel prices, the LEAC Factor for the next LEAC period would have to be raised to \$0.219673. Based upon such increase, as well as a number of other factors, MCG concluded that "[T]he GPA petition LEAC rate of \$0.208802 will result in an under-recovery of fuel costs of approximately \$6.7 million for the projection period based upon the most recent MS average noon call prices for that period".¹³

For various reasons, the ALJ recommends that the PUC not alter the original LEAC Factor that GPA requested in its November 2024 Petition.

⁹ GPA Petition, GPA Docket 24-20, dated June 7, 2024, at Exhibit A.

¹⁰ GPA Petition at Exhibit 1, p. 10, attached hereto as Exhibit 1.

¹¹ Email from Maripaz Perez to Corazon Montellano dated January 21, 2025.

¹² Marianas Consulting Group, Report in GPA Docket 25-05, dated January 23, 2025.

¹³ Id at p. 4.

The MCG Report indicates that the updated average price per Bbl-RFO rose from \$113.63 in November 2024 to \$115.19 in January 2025. The average price per Bbl Diesel of \$94.24 in November rose to \$103.27 in January 2025.¹⁴

However, the most recent Morgan Stanley Asia Morning Call pricing from January 17, 2025 to January 23, 2025 indicates that fuel prices have dropped for five straight days.¹⁵ On January 17, 2025 (the last day of the period for which GPA calculated the updated fuel prices), the price of Sing Gasoil 10ppm was \$99.52 per barrel. As of January 23, 2025, the price for Sing Gasoil 10ppm dropped to \$95.02 per barrel. On January 24, 2025, the price for Sing Gasoil 10ppm again dropped to \$94.78 per barrel.¹⁶ The price of \$94.78 per barrel of diesel on January 24, 2025, is only very slightly and minimally higher than the average price per Bbl-Diesel of \$94.24 when GPA's Petition was filed on December 15, 2024.

Fuel prices are always volatile and speculative. However, it seems that there is a good possibility that fuel prices will continue to decrease. The stated policy of the new Trump Administration is to encourage an increase in domestic US fuel production. The expansion of fuel supply could potentially further reduce fuel prices.

The ALJ has confirmed that the GPA desires approval by the PUC of the LEAC Factor of \$0.208802/kwh, as presented in its Petition.¹⁷ GPA believes that the anticipated early availability of power from the new Ukudu plant this year will also contribute to a reduction in the LEAC Factor. In the CCU Work Session on GPA on January 23, 2025,

¹⁴ Id. at p. 2.

¹⁵ Morgan Stanley Asia Morning Call dated January 23, 2025.

¹⁶ Morgan Stanley Asia Morning Call dated January 24, 2025.

¹⁷ Phone Conversation between Marianne Woloschuk, GPA Counsel and ALJ Fred Horecky on January 24, 2025.

GPA General Manager John Benavente presented a compelling justification as to why the PUC should approve the LEAC Factor in GPA's November 2024 Petition at \$0.208802/KWH.

Although there have been fuel price increases since November, GM Benavente noted that such prices "creeped down since [President] Trump was elected." Even with such fuel price increases, he stated that the fuel prices for customers will continue to trend down when the new Ukudu plant comes on line. During the Ukudu testing period, the plants will run more efficiently. GM Benavente asked: "why not hold the increase so we can help customers today. We will still collect the under-recovery when Ukudu comes on line."¹⁸ There was no objection from the CCU on GM Benavente's stated intention to request that the PUC reduce the LEAC Factor to \$0.208802/KWH.¹⁹

III. THE PUC SHOULD REDUCE THE LEAC FACTOR TO \$0.208802/KWH FOR THE PERIOD FROM FEBRUARY, 2025, THROUGH JULY 31, 2025.

GPA indicated in its Petition that, if the proposed LEAC factor is adopted the current estimated under recovery balance of \$4,285,244 will be reduced to zero by July 31, 2025.²⁰

MCG points out in its Report that because of the increase of fuel prices and other factors, the GPA under-recovery by July 31, 2025 could potentially be as high as \$6.7M. While this is a possibility, the under-recovery balance of GPA has been declining significantly over the past few LEAC periods. Also, with the current downward trend of fuel prices, it is by no means clear that the under-recovery balance will continue to

¹⁸ Guam Consolidated Commission on Utilities, GPA Work Session, held on January 23, 2025.

¹⁹ Id.

²⁰ GPA Petition at Exhibit A, Proposed LEAC Rate.

grow. If such an increase in the under-recovery does occur, the PUC can make appropriate adjustments to the LEAC Factor in the next LEAC period.

At the CCU Work Session on GPA, GM Benavente stated that the LEAC has been reduced from \$47M at its highest. Even if the under-recovery is \$6.7M, "we will still be able to pay our bills including the cost of fuel."²¹ The possibility of a \$6M under-recovery did not dissuade GM Benavente from his position that PUC should reduce the LEAC Factor to \$0.208802/KWH.

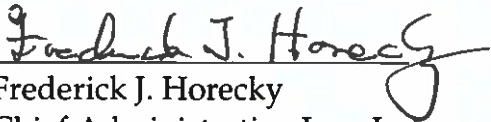
If the decrease in the LEAC Factor to \$0.208802/KWH is approved by the PUC, the overall decrease in LEAC factor will be 20.30% for the average residential customer, with a 14.80% decrease in the total bill.

RECOMMENDATION

For the reasons stated in this Report, the Administrative Law Judge recommends that the PUC approve the Petition of GPA to reduce the current LEAC Factor from 0.261995 per kWh to \$0.208802/kWh for meters read on or after February 1, 2025, and through July 31, 2025.

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

Dated this 24th day of January, 2025.


Frederick J. Horecky
Chief Administrative Law Judge

²¹ Id.

GPA

Proposed LEAC Rate (\$000)

Update as of 11/18/2024

Actuals as of 9/30/2024

AUG 24 - JAN 25	
MS Pricing from 11.11.24 to 11.15.24	
No Change	
Average Price per Bbl-RFO & ULSFO 0.20%	\$ 113.63
Average Price per Bbl-Diesel	\$ 94.24
Number 6 (HSFO/LSFO)	\$ 49,125
Number 2 (Diesel)	96,172
Renewable (Solar)	\$ 11,013
TOTAL COST	\$ 156,311
Handling Costs	\$ 9,888
Total Current Fuel Expense	\$ 166,199
Civilian Allocation	79.482%
LEAC Current Fuel Expense	\$ 132,097
Estimated DSM for this period	\$ -
Deferred Fuel Expense at the beginning of the period	\$ (4,285)
Total LEAC Expense	\$ 127,812
Less: Trans. Level Costs	\$ 7,723
Distribution Level Costs	\$ 120,089
Over recovery/(Under) at the end of the period	\$ -
Adjusted Distribution Level Costs	\$ 120,089
Distribution Level Sales (mWh)	575,135
LEAC Factor Distribution	\$0.208802
Current LEAC Factor Distribution	\$ 0.261995
Increase/(Decrease)	(0.053193)
Monthly Increase/(Decrease) - 1000 kWh	\$ (53.19)
% Increase/(Decrease) in LEAC	-20.30%
% Increase/(Decrease) in Total Bill	-14.80%
Discount (3%) - Primary 13.8 KV	\$ 0.201762
Discount (4%) - 34.5 KV	\$ 0.201106
Discount (5%) - 115 KV	\$ 0.198308

Exhibit "1"