



MARIANAS CONSULTING GROUP, LLC

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January 23, 2025

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

Re: Guam Power Authority Docket No. 25-05 Petition to Reduce the Levelized Energy Adjustment Clause (LEAC) for the Period of February 1, 2025 through July 31, 2025

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 February 1, 2025.

GPA is requesting that the current LEAC rate of \$0.261995 per kWh for secondary distribution service be reduced to \$0.208802 for meters read on or after February 1, 2025 through July 31, 2025.

GPA has indicated in their filing that reducing the existing LEAC factor should result in no net over or under recovery of qualifying fuel costs as of August 1, 2025, using the Morgan Stanley Energy Noon call average price projections for February 2025 through July 2025. GPA did not include estimated costs associated with the Demand Side Management (DSM) rebate program for the period from February 1, 2025 through July 31, 2025, as funds previously collected have not been exhausted.

Proposed LEAC Factors

The following Exhibit 1 presents a comparison of GPA proposed LEAC factors and Marianas Consulting Group (MCG) proposed LEAC factors using the proposed GPA LEAC rate and the calculated breakeven rate for the period from February 1 to July 31, 2025. The analysis presents proposed LEAC factors for both distribution and transmission level customers.

Exhibit 1

**Summary Of GPA rates versus MGC
Proposed LEAC Rate (\$000)**

Feb 1, 2025 - Jul 31, 2025				
GPA		MGC		
As filed	Using MS Pricing Jan 13 to Jan 17, 2025			
Full Recovery	Use GPA Proposed rate	Full Recovery	Variance	
1 Average Price per Bbl-RFO & ULSFO 0.20%	\$ 113.63	\$ 115.19	\$ 115.19	\$ -
2 Average Price per Bbl-Diesel	\$ 94.24	\$ 103.27	\$ 103.27	\$ -
3 Number 6 (HSFO/LSFO)	\$ 49,125	\$ 49,796	\$ 49,796	\$ -
4 Number 2 (Diesel) ⁽²⁾	\$ 96,172	\$ 105,395	\$ 105,395	\$ -
5 Renewable (Solar)	\$ 11,013	\$ 11,013	\$ 11,013	\$ -
6 TOTAL COST	\$ 156,311	\$ 166,204	\$ 166,204	\$ -
7 Handling Costs	\$ 9,888	\$ 9,865	\$ 9,865	\$ -
8 Total Current Fuel Expense	\$ 166,199	\$ 176,069	\$ 176,069	\$ -
9 Civilian Allocation	79%	79%	79%	\$ -
10 LEAC Current Fuel Expense	\$ 132,097	\$ 139,943	\$ 139,943	\$ -
11 Estimated DSM for this period				\$ -
12 Deferred Fuel Expense at the beginning of the period	(4,285)	(5,446)	(5,446)	\$ -
13 Total LEAC Expense	\$ 127,812	\$ 134,497	\$ 134,497	\$ -
14 Less: Trans. Level Costs	\$ 7,723	\$ 7,723	\$ 8,156	\$ 433
15 Distribution Level Costs	\$ 120,089	\$ 126,774	\$ 126,341	\$ 433
16 Over/(Under) recovery at the end of the period	\$ -	(\$6,685)	\$ -	(\$6,685)
17 Adjusted Distribution Level Costs	\$ 120,089	\$ 120,089	\$ 126,341	(\$6,252)
18 Distribution Level Sales (mWh)	575,135	575,135	575,135	-
19 LEAC Factor Distribution	\$0.208802	\$0.208802	\$0.219673	(\$0.010870)
20 Current LEAC Factor Distribution	\$0.261995	\$0.261995	\$0.261995	\$0.000000
21 Increase/(Decrease)	(\$0.053193)	(\$0.053193)	(\$0.042322)	(\$0.010870)
22 Monthly Increase/(Decrease) - 1000 kWh	(\$53.19)	(\$53.19)	(\$42.32)	(\$10.87)
23 % Increase/(Decrease) in LEAC	-20.30%	-20.30%	-16.15%	-4.15%
24 % Increase/(Decrease) in Total Bill	-14.80%	-14.80%	-11.77%	-3.02%
25 Discount (3%) - Primary 13.8 KV	0.201762	0.201762	0.213049	(\$0.011287)
26 Discount (4%) - 34.5 KV	0.201106	0.201106	0.212435	(\$0.011329)
27 Discount (5%) - 115 KV	0.198308	0.198308	0.209820	(\$0.011512)

Factors Impacting Fuel Costs

For the period from February 1 to July 31, 2025 (projection period), GPA utilized the Morgan Stanley (MS) Energy Noon call average price projections of energy prices for February 2025 through July 2025, determined in the period from November 11, 2024 through November 15, 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). In accordance with Public Utility Commission protocols, MGC used the most recent MS Energy Noon call average price projections determined in the period from January 13 through January 17, 2025. Exhibit 2 shows the forecast price of Number 6 oil and Number 2 diesel for the projection period:

Exhibit 2

Fuel Cost February 2025 through July 2025

<u>Description</u>	<u>GPA</u>			<u>MCG</u>		
	<u>No. 6 Ultra LFSO</u>	<u>No. 2 Diesel</u>	<u>Total</u>	<u>No. 6 Ultra LFSO</u>	<u>No. 2 Diesel</u>	<u>Total</u>
Costs	\$49,125	\$96,172	\$145,297	\$49,796	\$105,395	\$155,191
Number of Barrels	432,311	1,020,550	1,452,861	432,311	1,020,550	1,452,861
Average Barrel Cost	\$113.63	\$94.24		\$115.19	\$103.27	

Quantities of each type of fuel utilized for the projection period are based on approved budgets. The variance in the fuel price is due to MCG using the most updated MS fuel price projections. Major generation outages included in the analysis during the projection period include the following:

Cabras 2 Generator down 21 days in late February and early March 2025 for APH cleaning, turbine, boiler and generator inspection and boiler tube replacement
MEC 9 Generator down 22 days in late March and early April 2025 for Major overhaul
Cabras 1 Generator down 14 days in early May 2025 for APH cleaning and turbine, boiler and generator inspection
Cabras 2 Generator down 14 days in June 2025 for APH cleaning and turbine, boiler and generator inspection

There are also several short two to three day 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 contracted price per MWh purchased for the KEPCO contract effective July 2025.

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 projection period are \$9.9 Million, a slight increase over the estimated handling costs for the six months ending January 31, 2025.

Cost Over-Recovery as of January 31, 2025

GPA projects an over-recovery of LEAC costs of approximately \$4.3 Million as of January 31, 2025. MCG projects a slightly higher over-recovery of approximately \$5.5 Million, mainly because MCG utilized the updated MS five-day average noon call prices from November 11-15, 2024 for January 2025 while GPA used the MS call prices from July 8-12, 2024 for their January 2025 fuel price estimates.

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

Recommendations and Conclusions

MCG noted that the actual fuel handling costs for each of the three most recent LEAC periods have been more than \$1 million less than those used in GPA projections. MCG recommends that GPA determine the reasons for the over projected handling costs and make adjustment as needed in the next LEAC rate petition.

The 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 on the most recent MS average noon call prices for that period. A LEAC rate of \$0.219673 will result in a full recovery of fuel costs based on the most recent MS call prices. The proposed GPA LEAC rate of \$0.208802 will result in an average savings of \$53.19 for a typical 1,000 kWh user while the MCG breakeven rate of \$0.219673 will result in savings of \$42.32, from existing LEAC rates.

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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