BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:	) GPA Docket 25-13
	)
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"] which requests that the PUC implement a two-step reduction in the LEAC factor: (1) from $0.208802/kWh to $0.188781/kWh for the period of August 1, 2025, through August 31, 2025 (a period of one month); and (2) from $0.188781/kWh to $0.135840 for the period of September 1, 2025, through January 31, 2026.[1]

BACKGROUND

Effective February 1, 2025, the PUC reduced the LEAC factor from $0.261995/kWh to $0.208802 for meters read during the six-month period ending July 31, 2025.[2] The basis for the reduction was a 14% decrease in fuel prices.[3] In GPA Resolution No. FY2025-17, dated May 27, 2025, the Guam Consolidated Commission on Utilities ["CCU"] authorized GPA Management to petition the PUC to reduce the current LEAC Factor in a two-step process over the next six-month period.[4]

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[1] GPA Petition, In the Matter of: Guam Power Authority Levelized Energy Adjustment Clause (LEAC), GPA Docket 25-13, dated June 4, 2025.
[2] PUC Order, GPA Docket 25-05, dated January 30, 2025, at p. 7.
[3] Id. at p. 4.
[4] GPA Petition at Exhibit A, p. 2, Guam Consolidated Commission on Utilities, GPA Resolution No. FY2025-17, 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 August 1, 2025 through January 31, 2026, adopted and approved on May 27, 2025.

GPA's rationale for continuing to reduce the LEAC Factor for the next six-month period is that there have been further decreases in fuel prices: "The average market price of fuel presented for the current period was approved at $100.01/bbl. for the period from February 1, 2025, through July 31, 2025. The projected average price of fuel for the period ending January 31, 2026, is expected to be $89.93/bbl.[5]

A second reason offered by GPA for the requested decrease in the LEAC Factor is that the Ukudu Power Plant is expected to be operational in September 2025. The Ukudu Plant is "a highly efficient combined-cycle plant that significantly reduces the amount of fuel required."[6]

On June 2, 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 June 17, 2025, MCG provided its Report in response to GPA's Petition to implement a two-step reduction of the LEAC Factors.[7] Copies of the MCG Report have been provided to the Commissioners.

ANALYSIS

I. THE LEAC FACTOR SHOULD BE SET BY THE PUC FOR THE ENTIRE NEXT SIX-MONTH PERIOD, RATHER THAN IN THE TWO-STEP PROCESS PROPOSED BY GPA.

A. MCG Recommendation for One LEAC Factor for the Entire Six-Month Period

[5] GPA Petition at p. 2.
[6] Id. at Exhibit A, p. 2: Guam Consolidated Commission on Utilities, GPA Resolution No. FY2025-17.
[7] Marianas Consulting Group, Report in GPA Docket 25-13, dated June 17, 2025.

MCG submitted its Report in this docket to the PUC on June 17, 2025.[8] MCG recommends that the PUC approve one LEAC Factor for the entire six-month period ending January 31, 2026, which would be an overall reduction of 25.53%, to $0.155495/kWh.[9] In its Report, MCG states its reasons for recommending a LEAC Factor applicable to the entire six-month LEAC period, as opposed to having two LEAC Factor reductions as requested by GPA:

> "1. A six-month rate reduction appears to be more in-line with the intent of the LEAC program and is also consistent with practice in prior LEAC rate adjustments. A one-month adjustment followed by another adjustment a month later will result in ratepayers having three different rates in three months. The overall impact of the six-month adjustment rate adjustment will have essentially the same impact on ratepayers as the two-step approach requested by GPA and should be easier to implement. See Exhibit 1 which compares the GPA and MCG LEAC calculations and rates for the six-month period ending January 31, 2026.
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> 2. The MCG review of the two-step approach requested by GPA indicated that there were several errors in the calculations which generally pushed costs (and higher LEAC rates) into the August 2025 period and reduced costs (and proposed rates) into the September 2025-January 2026 period. This would likely result in an over recovery in August 2025 offset by an under recovery for the five months ending January 31, 2026."[10]

MCG has correctly characterized the history and purpose of the Levelized Energy Adjustment Clause:

> "The Levelized Energy Adjustment Clause program was established in part to "levelize" the impact of anticipated significant future fluctuations in fuel costs and usage on GPA's ratepayers. The LEAC program requires rates to be reviewed every six months to allow ratepayers to absorb the impact of rate fluctuations over a six-month period (or in some cases even longer), reducing GPA's administrative costs of constantly changing rates,

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[8] Marianas Consulting Group, LLC, GPA Docket 25-13, Report submitted on June 17, 2025.
[9] Id. at p. 2.
[10] Id.

while allowing it to recover fuel costs over time and stay in compliance with debt covenants and cash flow requirements. The LEAC was mainly implemented to deal with rising fuel costs but may also be applicable in times of falling costs."[11]

B. Prior PUC Practice in Establishing the LEAC Factor

GPA's Rate Schedule "Z," the Levelized Energy Adjustment Clause (LEAC), contemplates that the PUC will set one factor for the entire six- month period. A true and correct copy of Schedule "Z" is attached hereto as Exhibit "1". Schedule "Z" states that **"[T]he Fuel Recovery Charge** will be calculated semi-annually…." In addition, the projected fuel expense is required to be calculated for the next LEAC period. The LEAC Factor is calculated for the entire six-month period, not for lesser periods of time within the six-month period.

Schedule "Z" states: "**The Fuel Recovery Charge will be recalculated semi-annually for a (6) six-month period** and be subject to the approval of the Guam Public Utilities Commission." If GPA has a cumulative under or over recovery balance of more than $2 million, or if the under or over recovery balance is projected to exceed $2 million during the six-month levelized period, the Fuel Recovery Charge may be adjusted to recover such deficit, subject to PUC approval."

The PUC has on occasion addressed the LEAC Factor during a six-month period on multiple occasions. During the six-month LEAC period commencing February 1, 2020, the PUC addressed the LEAC factor on three occasions because of steep declines in fuel prices. During such period the PUC reduced the LEAC factor from $0.154242/kWh to $0.086800.[12] However, for each reduction in the LEAC factor over the six-month period,

[11] Id. at p. 1.
[12] PUC Order, GPA Docket 20-13, dated July 30, 2020.

GPA had filed separate Petitions under Schedule "Z" to reduce the factor. A factor was initially set for the six-month period and then reduced because of the Petitions filed by GPA.

In GPA Docket 21-14, the PUC did adopt a three-step LEAC proposal submitted by GPA during a six-month period of rapidly increasing fuel prices.[13] There was an over 52.33% increase in the LEAC Factor over a six-month period. The PUC phased in three increases from $0.130400/kWh to $0.171458/kWh over a six-month period. The PUC approved the phase-in in response to the drastic increases in fuel prices and in the LEAC Factor and the impact upon ratepayers. The reasoning was that "Ratepayers will be able to accommodate such gradual increases more readily than one substantial increase which raises the LEAC Factor over 50% and the total Bill by over 30%."[14]

No similar situation exists in the instant case. Here one factor can be set for the six-month period which properly benefits the ratepayers for the decreases in fuel prices over the six-month period. There is no detriment to the ratepayers from a single reduction in the LEAC Factor at the beginning of the six-month period. In fact, the ratepayers derive the benefit of the reduction more quickly. The ALJ recommends that the PUC adopt the MCG proposal for setting one LEAC Factor for the six-month period.

II. THE PUC SHOULD SET THE LEAC FACTOR FOR THE SIX-MONTH PERIOD FROM AUGUST 1, 2025 THROUGH JANUARY 31, 2026, AT $0.155495.

Based upon both the Petition of GPA, and the MCG Report, a reduction in the LEAC Factor for the next six-month period is justified. In its Report, MCG recommends that

[13] PUC Order, GPA Docket 21-14, dated July 29, 2021, at p. 7.
[14] Id. at p. 5.

the PUC implement an overall 25.53% reduction of the LEAC Factor from the existing rate of $0.208802 to $0.155495 for the six-month period ending January 31, 2026.

Both GPA and MCG concur that there should be a reduction in the LEAC Factor due to the decrease in fuel prices and the pending operational availability of the Ukudu Power Plant in September 2025.

Attached hereto as Exhibit "2" is a Summary prepared by MCG of GPA rates versus MCG, Proposed LEAC Rate.[15] Based upon the initial fuel prices used in GPA's Petition, MCG calculated a rate for the entire six-month period of $0.142959/kWh, which was slightly lower than GPA's equivalent rate of $0.145164. MCG adjusted several calculations that GPA made, including average fuel prices, fuel usage, cost, fuel expenses, total LEAC expense and others.

As customary procedure, the PUC requests in each LEAC proceeding that GPA provide an update of fuel prices in the Morgan Stanley Asia Morning Call for a five-day period ten days before the date for the PUC meeting. On June 17, 2025, GPA, through Maripaz Perez, provided MCG with the updated MS Fuel Pricing for June 9-16, 2025. The updated MS Pricing demonstrates that the average price per bbl. RFO & ULSFO had increased from $101.69 to $110.40 since GPA filed its Petition. The average price per bbl. Diesel had increased from $84.30 to $90.84.[16]

The most recent Morgan Stanley Asia Morning Call Price Indication for June 20, 2025 is that Sing Gasoil 10ppm will range between $89 and $98 per bbl. through the first quarter of 2026. The prices appear to be 10% higher than when GPA filed its Petition.

[15] Exhibit "2", Marianas Consulting Group, LLC, GPA Docket 25-13, Report submitted on June 17, 2025, at Exhibit "1".
[16] See Exhibit "2".

MCG has identified the probable cause of the increase in fuel prices:

> "The Israel attacks on Iran and Iran counterattacks starting Thursday June 12 which have continued through the date of this letter and shows no evidence of abating. These actions threaten to disrupt oil shipping in the Middle East and could very negatively impact GPA fuel prices. The impact of this conflict are now partially included in MCG projections based on the latest Morgan Stanley Pricing as shown on Exhibit 1 column C. MCG recommends close monitoring of the situation and its impacts on oil supplies and prices as GPA and the PUC evaluate the LEAC factors for six months beginning August 1, 2025."

The PUC must take these world events into account when setting the LEAC Factor for the next six months. Based upon the increased MS Fuel Pricing for June 9 through June 16, 2025, MCG recommends that the LEAC Factor for the next six months be set at $0.155495/kWh. This is only roughly one cent per kWh more than GPA's equivalent factor would be for the six-month period.

There is a fail-safe mechanism even if GPA saves more money because of lower fuel costs and plant efficiency than anticipated in the LEAC Factor proposed by MCG. If GPA projects that an over recovery balance of more than $2 million is likely to occur during the six-month levelized period, it can apply to the PUC under Tariff "Z" to reduce the LEAC Factor even further.

RECOMMENDATION

For the reasons stated in this Report, the Administrative Law Judge recommends that the PUC adopt the position of Marianas Consulting Group and reduce the current LEAC Factor from $0.208802 per kWh to $0.155495 for meters read on and after August 1, 2025, and through January 31, 2026.

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

Dated this 21th day of June, 2025.

Frederick J. Horecky

Frederick J. Horecky
Chief Administrative Law Judge

Issued March 21, 1994
Revised March 31, 2012
Effective with meters read
on and after April 01, 2012

Rate Schedule "Z"

GUAM POWER AUTHORITY

SCHEDULE "Z"

Levelized Energy Adjustment Clause (LEAC)

The calculation of each bill, pursuant to the rates and charges contained in the applicable rate schedule, shall be subject to an adjustment for variations in fuel cost. The adjustment will be made by multiplying a Fuel Recovery Charge times the total kilowatt hours for which the bill is rendered.

The Fuel Recovery Charge will be calculated semi-annually by the following formula:

$$\text{Fuel Recovery Charge} = \frac{A +/- B +/- C}{D}$$

Where:

A - Equals the projected fuel expense for the next LEAC period, including amounts GPA is required to pay under the fuel risk management program and adjustments to the carrying value of GPA's fuel inventory so long as the number of barrels is consistent with parameters adopted by the PUC[1], but excluding net fuel reimbursement from Navy through the Customer Agreement settlements.

B - Equals the difference between the fuel revenue and actual fuel expenses as approved by the Public Utilities Commission, including the true up of the second prior (6) six month period excluding net revenue from Navy through the Customer Agreement settlements.

C - Refunds or credits from supplier, excluding legal settlements.

D - Equals the projected retail kWh sales for the next (6) six months.

The Fuel Recovery Charge will be recalculated semi-annually for a (6) six month period and be subject to the approval of the Guam Public Utilities Commission. In the event that GPA has a cumulative under [or over] recovery balance of more than $2 million or if the under [over] recovery balance is projected to exceed $2 million during the six-month levelized period,

[1] For the LEAC period ending July 31, 2008 the adjustment to the carrying value has been established to be $5.296 million. For periods beginning after July 31, 2008 the change in carrying value will be based on projected changes for the succeeding six month period and (for periods beginning after January 31, 2009) a true up of projected versus actual costs for the preceding six month period.

Schedule "Z" (Continued)

excluding net revenues from the Navy under The Customer Agreement, the Fuel Recovery Charge may be adjusted to recover such deficit, subject to PUC approval.

Special Terms and Conditions:

13.8 kV Primary Supply Voltage Delivery:

Where, at the option of the Authority, the customer takes delivery and/or is metered at the Authority's supply line voltage, the LEAC charges will be decreased by the following percentages:

13.8 kV Distribution voltage supplied without further transformation 3%

34.5 kV Supply Voltage Delivery:

Where, at the option of the Authority, the customer takes delivery 34.5kV, the LEAC charges will be decreased by the following percentage:

34.5 kV Transmission voltage supplied without further transformation 4%

115 kV Supply Voltage Directory:

Where, at the option of the Authority, the customer takes delivery 115kV, the LEAC charges will be decreased by the following percentage:

115 kV Transmission voltage supplied without further transformation 5%

Summary Of GPA rates versus MCG
Proposed LEAC Rate ($000)

	GPA Effective 8/1/2025-01/31/26 MSPricing 5.05.25 to 05.12.25	MCG Effective 8/1/2025-01/31/26 MSPricing 5.05.25 to 05.12.25	MCG Effective 8/1/2025-01/31/26 MSPricing 6.09.25 to 06.16.25
1 Average Price per Bbl-RFO &ULSFO 0.20%	$ 101.69	$ 102.44	$ 110.40
2 Average Price per Bbl-Diesel	$ 84.30	$ 84.30	$ 90.84
3 Number 6 (HSFO/LSFO)	$ 34,497	$ 34,749	$ 37,452
4 Number 2 (Diesel) (2	$ 59,752	$ 60,556	$ 65,258
5 Renewable (Solar)	$ 11,672	$ 11,673	$ 11,673
6 TOTAL COST	$ 105,921	$ 106,978	$ 114,383
7 Handling Costs	$ 10,709	$ 10,709	$ 10,709
8 Total Current Fuel Expense	$ 116,630	$ 117,687	$ 125,092
9 Civilian Allocation	78.741%	78.741%	78.741%
10 LEAC Current Fuel Expense	$ 91,836	$ 92,668	$ 98,499
11 Plug amount to arrive at .13	$ -		
12 Deferred Fuel Expense at the beginning of the period	-$ 1,787	-$ 3,986	-$ 2,041
13 Total LEAC Expense	$ 90,049	$ 88,682	$ 96,458
14 Less: Trans. Level Costs	$ 5,322	$ 5,242	$ 5,701
15 Distribution Level Costs	$ 84,727	$ 83,440	$ 90,757
16 Over/(Under) recovery at the end of the period	$ -	$ -	$ -
17 Adjusted Distribution Level Costs	$ 84,727	$ 83,440	$ 90,757
18 Distribution Level Sales (mWh)	583,662	583,662	583,662
19 LEAC Factor Distribution	0.145164	0.142959	0.155495
20 Current LEAC Factor Distribution	0.208802	0.208802	0.208802
21 Increase/(Decrease)	(0.06364)	(0.06584)	(0.05331)
22 Monthly Increase/(Decrease) - 1000 kWh	-$ 63.64	-$ 65.84	-$ 53.31
23 % Increase/(Decrease) in LEAC	-30.48%	-31.53%	-25.53%
24 % Increase/(Decrease) in Total Bill	-10.76%	-21.50%	-17.40%
25 Discount (3%) - Primary 13.8 KV	0.140794	0.138656	0.150814
26 Discount (4%) - 34.5 KV	0.140388	0.138256	0.150379
27 Discount (5%) - 115 KV	0.138660	0.136554	0.148528

EXHIBIT "2"