



MARIANAS CONSULTING GROUP, LLC

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June 17, 2025

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

Re: Guam Power Authority Docket No. 25-13 Petition of the Guam Power Authority for Two-Step Reduction in the Levelized Energy Adjustment Clause (LEAC) for the Period of August 1, 2025 through January 31, 2026

Dear Mr. Horecky:

This letter is in response to Guam Power Authority's (GPA's) petition of a two-step reduction in the current Levelized Energy Adjustment Clause (LEAC) factors effective August 1, 2025 and for the month of August 2025 and for the period from September 1, 2025 through January 31, 2026.

GPA is requesting that the current LEAC rate of \$0.208802 per kWh for secondary distribution service be reduced to \$0.188781 for meters read for the month of August 2025 and then to \$0.135840 for meters read from September 1, 2025 through January 31, 2026.

GPA has indicated in their filing that the reduction in the LEAC rate is made possible because of reductions in the projected average price of fuel during the six months ended January 31, 2026 and, more importantly, the improved efficiency of the Ukudu Power Plant which is to be commissioned in September 2025. The Ukudu Power Plant is expected to be 37% more efficient than the current Cabras 1 and 2 baseload generators and 22% more efficient than the Piti 8 and 9 power plants.

History

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, 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.

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Rate Request

In their filing, GPA has requested approval of a two-step LEAC rate reduction; a 9.6% rate decrease from \$0.208802/kwh to \$0.188781/kwh for the month of August 2025 and then a 28.0% decrease from \$0.188781/kwh to \$0.135840/kwh to be effective September 1 through January 31, 2026.

Marianas Consulting Group (MCG) has reviewed the GPA filing and the supporting calculations and is recommending that the Public Utilities Commission (PUC) approve an overall reduction of 25.53% to \$0.155495/kwh for the entire six-month period ending January 31, 2026. MCG's reasons for recommending a six-month LEAC rate reduction as opposed to the two-step reduction requested by GPA are as follows:

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 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.
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.

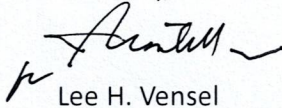
Summary

MCG recommends that for the reasons noted above that the PUC consider implementing an overall 25.53% reduction of the LEAC rate from the existing rate of \$0.208802 to \$0.155495 for the six-month period ending January 31, 2026.

The Israel attacks on Iran and Iran counterattacks starting Thursday June 12 which have continued through the date of this letter and show 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 the six months beginning August 1, 2025.

If you have any questions regarding this letter, please contact Cora Montellano at (671) 488 2816 or Lee Vensel at (671) 487 8331.

Sincerely,

A handwritten signature in black ink, appearing to read "Lee H. Vensel", with a stylized flourish at the end.

Lee H. Vensel
Marianas Consulting Group

Exhibit 1

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

	GPA Effective 8/1/2025- 01/31/26 MS Pricing 5.05.25 to 05.12.25	MCG Effective 8/1/2025- 01/31/26 MS Pricing 5.05.25 to 05.12.25	MCG Effective 8/1/2025- 01/31/26 MS Pricing 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