BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

PETITION TO ADJUST BASE RATE BY THE GUAM POWER AUTHORITY	**GPA DOCKET 25-14** **ALJ REPORT**

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the "PUC") pursuant to the Amended Petition of the Guam Power Authority to Adjust Base Rate (hereinafter referred to as the "Rate Petition"), filed by the Guam Power Authority ("GPA") on August 8, 2025.

BACKGROUND

In response to federal Clean Air Act violations, GPA, the U.S. Environmental Protection Agency, and the U.S. Department of Justice entered into a 2020 Consent Decree before the U.S. District Court of Guam.[1] A significant part of the Consent Decree requires GPA to construct and operate 180MW of new generation that utilizes Ultra Low Sulfur Diesel; and to retire its Cabras units.[2]

On February 25, 2025, the Consolidated Commission on Utilities (the "CCU") issued GPA Resolution No. FY2025-11 ("Resolution No. FY2025-11"), which approved adjustments to GPA's base rate.[3] In March 2025, GPA published its proposed rates in a newspaper of general

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[1] United States v. Guam Power Authority and Marianas Energy Co., CV20-0007 ("U.S. v. G.PA."), Consent Decree, pp. 9-11 (Apr. 20, 2020).

[2] *Id.*

[3] Petition, p. 2 (Aug. 8, 2025).

circulation and on the internet.[4] From April through May 2025, GPA mailed notices, engaged in community outreach, and sent SMS text messages informing customers of the base rate Petition.[5]

On June 5, 2025, GPA filed a Petition to Adjust Base Rate. On August 8, 2025, GPA filed the instant Amended Petition to Adjust Base Rate. Thereafter, the Rate Petition was transmitted to the firm of Marianas Consulting Group, L.L.C. ("MCG"), the PUC's consultant for energy matters, to begin the PUC's review of GPA's proposed base rate adjustments. From August through November 2025, MCG issued various requests for information, and GPA responded with documents and data. The two parties also held several meetings during that time to clarify certain data submissions. In addition, GPA and the U.S. Department of the Navy (the "Navy") also exchanged requests for information and responses.

On November 14, 2025, the Navy petitioned the PUC to intervene as an interested party in these proceedings. On November 19, 2025 the Administrative Law Judge assigned to this matter issued an Order granting the Navy's request for intervention.

Pursuant to the Ratepayers' Bill of Rights, public hearings were held in the villages of Dededo, Asan, and Tamuning on November 19, 20, and 21, 2025, respectively.

On December 11, 2025, consultants Marc Hellman, Ph.D. and Mark Beauchamp submitted their Joint Testimony on behalf of MCG and GPA to address the rate spread and rate design proposals being considered in this matter. On December 16, 2025, the Navy, GPA, and MCG entered into a Stipulation regarding the Navy Rate contained in "Schedule N" of GPA's tariff.

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4 Petition, p. 3.

5 Petition, p. 3.

On December 16, 2025, MCG provided the Administrative Law Judge assigned to this docket (the "ALJ") with its report on the rate investigation, which detailed its findings and recommendations. GPA's base rate has remained unchanged since 2013.

DISCUSSION

A. GPA's Amended Petition to Adjust its Base Rate

The Petition is based on the testimony submitted by GPA General Manager John M. Benavente, GPA Chief Financial Officer John J.E. Kim; Mark Beauchamp, Utility Financial Solutions, L.L.C., consultant for GPA; exhibits containing the proposed rates and standard filing requirements; and is further based on Resolution No. FY2025-11. The Rate Petition proposes certain increases to GPA's base rate, affecting eleven (11) rate schedules. GPA submits that the rate increases proposed in the Petition are "necessary because GPA needs to finance the new power plant and continue to meet its responsibilities under the Consent Decree."[6] GPA further submits that "[t]he change in the base rate is prudent, because it supports GPA's new, more efficient power plant, with fuel savings that will more than offset the effect of the base rate increase on ratepayers."[7]

1. GPA's Written Testimony in Support of the Petition

GM Benavente testified that the instant "one-time adjustment in the base rate" is necessary "in order to support the financing of the Ukudu Power Plant."[8] GM Benavente indicated that "[t]he base rate funds GPA's fixed costs, including operations, maintenance,

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6 Petition, p. 4.

7 Petition, p. 4.

8 Testimony of General Manager in Support of Petition of the Guam Power Authority to Adjust Base Rate, p. 2 (July 10, 2025).

infrastructure improvements, and debt service."[9] Therefore, "[a]s a result of this infrastructure investment, GPA needs to adjust the base rate portion of the ratepayers' power bills."[10]

In his testimony, GM Benavente further indicated that the new power plant's financial obligations require GPA to "ensure stable funding" as well as allow GPA to "comply with bond covenants" "to meet debt obligations."[11] Moreover, the Ukudu Power Plant allows the retirement of Cabras 1 and 2 units and is a "highly efficient, combined cycle 198 megawatt power plant."[12] It will provide the island with an increase in power generation capacity, and will "reduce fuel dependence and enhance system resilience."[13]

GM Benavente has further indicated that the eventual fuel savings by operating the Ukudu Plant "is significant and able to offset all Ukudu costs, resulting in lower power bills to ratepayers."[14] He concluded his testimony by stating that the "fuel efficiency of the Ukudu Power Plant will more than offset the base rate adjustment and provide net savings to [GPA's] customers."[15]

Mr. Beauchamp testified that his company, Utility Financial Solutions, L.L.C. ("UFS"), conducted the cost of service study, rate designs, and determined the revenue requirements, on behalf of GPA for these proceedings.[16] Mr. Beauchamp indicated that "without any rate

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9 Testimony of General Manager, p. 2.

10 Testimony of General Manager, p. 2.

11 Testimony of General Manager, p. 3.

12 Testimony of General Manager, p. 3.

13 Testimony of General Manager, p. 3.

14 Testimony of General Manager, p. 5.

15 Testimony of General Manager, p. 5.

16 Testimony of Mark Beauchamp in Support of Petition of the Guam Power Authority to Adjust Base Rate, p. 3 (June 29, 2025).

changes", GPA's revenues are expected to "decline from $550 million in 2024 to $438 million in 2026."[17] He attributed the loss to a reduction in LEAC charges.[18] Mr. Beauchamp testified that Ukudu "will significantly lower fuel expenses, driving this reduction in LEAC charges"; and added that "LEAC-related costs are projected to fall from $400 million in 2024 to $269 million in 2026."[19]

Further, based on certain cost of service results, UFS made adjustments primarily to fixed monthly customer charges.[20] As a result, a rate increase of 31.44% was applied to each customer class across the board, with the exception of the Navy Rate, which reflects a 27.9% increase.[21] Mr. Beauchamp testified that the Navy accounts for "approximately 21% of the electric usage on Guam"; and that GPA has incorporated the Navy's future need in GPA's "long-term planning horizon."[22] The result, according to Mr. Beauchamp, has been "an unfair subsidy to the Navy from other ratepayers of GPA."[23]

2. <u>CCU Board Resolution</u>

GPA Resolution No. FY2025-11, authorized GPA to petition the PUC for approval of certain proposed rate increases and charges to be used cover payments for the new plant, along

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17 Testimony of Mark Beauchamp, p. 4.

18 Testimony of Mark Beauchamp, pp. 4-5.

19 Testimony of Mark Beauchamp, p. 5.

20 Testimony of Mark Beauchamp, p. 8.

21 Testimony of Mark Beauchamp, p. 8.

22 Testimony of Mark Beauchamp, p. 8.

23 Testimony of Mark Beauchamp, p. 8.

with "necessary capital improvement projects to provide for continued operational efficiency and reliability", while also meeting its debt service coverage.[24]

B. Public Hearings

At the public hearing held in the village of Dededo on November 19, 2025, Pedro Guerrero, a former PUC Commissioner, testified that before GPA considers raising rates, it should examine its assets. Mr. Guerrero stated that GPA should look to where it can reduce its costs to off-set the proposed rate adjustments. GM Benavente responded by indicating that once the new plant comes online, several contracts will not be renewed, which will significantly lessen GPA's costs.

At the public hearing held in the village of Asan on November 20, 2025, PUC Commissioner Doris Flores Brooks questioned whether, after the adjustments to the base rates are implemented, would there be an opportunity to lower the base rate later. GM Benavente responded that while there is certainly a need to invest in infrastructure, the revenues may be at a level where a reduction in the base rate may be possible. Commissioner Brooks stated that any increase to the base rate would be permanent, and that GPA would benefit from the additional funds even over the life of the Ukudu contract. GM Benavente commented that GPA is actively working towards a "richer capacity stream" and that the LEAC has already "come down dramatically." Commissioner Brooks asked if GPA anticipates the need for another Ukudu Power Plant. GM Benavente indicated that the island would not need a similar type of investment for another twenty-five to thirty years.

At the public hearing held in the village of Tamuning on November 21, 2025, no testimony was presented by any member of the public.

[24] GPA Resolution No. FY2025-11, pp. 2-3 (Feb. 25, 2025).

C. Joint Testimony of Marc & Mark

Marc Hellman, Ph.D., an energy consultant appearing on behalf of MCG, and Mark Beauchamp, a consultant for GPA, submitted Joint Testimony to address GPA's rate spread and rate design proposals tied to these proceedings.[25]

Based on their review, the consultants jointly recommended the following. First, they recommended that the proposed rate spread should be revised to allocate the costs associated with the Ukudu Power Plant solely on the basis of customer class relative use of energy, as opposed to both capacity (kW) and energy.[26] They further recommended that the residential customer charge should be increased from $15 to $25, instead of $20 as originally proposed by GPA.[27] Third, their recommendations included the PUC's consideration of a low-income bill support programs.[28]

The consultants further recommended that GPA eliminate the rate differentials between small "private" rates and "government" rates.[29] The consultants additionally recommended that the PUC consider, in separate docket, whether the Navy Rate should consider GPA's costs in maintaining standby generation to serve potential Navy load growth.[30] Lastly, they recommend that the PUC adopt the interim Navy Rate as stipulated between GPA, the Navy, and MCG.[31]

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25 Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 2 (Dec. 11, 2025).

26 Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 3.

27 Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 3.

28 Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 3.

29 Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 3.

30 Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 4.

31 Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 4.

With respect to the proposed rate spread, the consultants have opined that "adding the Ukudu combined cycle plant to GPA's fleet of thermal generation[ ] is cost beneficial to customers." They explain that "[a] combined-cycle plant is more efficient than a single-cycle generating plant because it takes advantage of the waste heat (exhaust) that is created when fuel is burned."[32] The consultants maintain that "[t]he reason all of the Ukudu fixed costs are recommended to be allocated to energy is that the Ukudu plant decreases overall costs, even when recognizing the fixed costs, and so it is cost beneficial to add the plant on energy considerations alone."[33] This is accomplished by assigning each customer class (schedule) its pro-rata share of kWh usage.[34] Therefore, customers with higher loads will experience relatively higher rates, and lower load customers should experience lower rates.[35] The consultants have indicated, however, that the residential class of customers will not benefit from this shift since the "Residential Class rates are well below cost."[36]

Relative to increasing the Residential Customer Charge from $15 to $25, based on the cost of service study, the consultants agree that the Residential Customer Charge is still "below cost" even at the proposed $20 rate.[37] The consultants have further indicated that net metering ("NM") customers are "overcompensated", which results in "a subsidy from the non-NM customers to the NM customers."[38] Based on their analysis, they recommend that the PUC adopt

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[32] Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 5.

[33] Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 5.

[34] Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 6.

[35] Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 6.

[36] Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 7.

[37] Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 7.

[38] Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 7.

a Residential Customer Charge of $25 per month.[39] To mitigate the impact of this increase, the consultants further recommended lowering the kWh price that is applied to the initial block of 500kWh.[40] When asked how residential customers would be impacted by these rate changes, the consultants stated broadly that the lowest-use customers will see a "modest" increase in their bills, while the majority of customers (300-2,900 kWh range) will see "noticeable" reductions in their bills.[41] A typical residential customer who consumes approximately 940 kWh per month should notice a savings of $37.50 under the proposed rate design.[42]

With respect to offering low-income support programs, the consultants indicate that they have not analyzed the correlation between Guam low-income customers and the use of electricity.[43] However, they do advise creating a targeted bill support program that can be offered to qualifying low-income customers.[44] Such a program could provide low-income customers with discounts on their electric bills.[45]

With respect to eliminating rate differentials between "private" and "government" rates, the consultants do not notice an actual cost differential that would warrant rate differentials between both small and large private and government rates.[46] The consultants find that GPA is

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39 Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 12.

40 Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 12.

41 Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 16.

42 Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 17.

43 Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 14.

44 Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, pp. 14-15.

45 Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 15.

46 Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, pp. 17-18.

unaware why the rate differentials were initially implemented, and on this basis, they recommended eliminating the differentials altogether.[47]

With respect to subsequent review of the Navy Rate, the consultants recommended that the PUC consider, in a separate docket, whether the Navy Rate should be revised to consider the generation potentially being put on standby to serve any potential load growth by the Navy.[48] The consultants have expressed that if GPA is not retiring certain generating plants due to the potential of Navy load growth, then some or all of the generating costs may be assignable to the Navy.[49]

With respect to the Navy Rate as stipulated between the Navy, GPA, and MCG, the consultants agree with the base energy rate of $.00600 per kWh, the increase in the Monthly Customer Charge of $12,000, and the Contract Demand Charge of $45.11 per kW.[50] The consultants further support the modification of the Contract Demand set at 51.2 MW; and where the demand exceeds that amount in any given month, then the higher demand above 51.2 MW will be set as the new Contract Demand.[51]

With respect to GPA's financial ratios, the consultants indicated that since GPA will only recover a little over $38 million for the remainder of the fiscal year, this amount will impact GPA's debt service coverage ratio, lowering it to 1.25, which is less than the target of 1.4.[52] Accordingly, the consultants recommend that any additional revenue from the Navy should go

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[47] Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 18.

[48] Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 22.

[49] Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, pp. 22-23.

[50] Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 24.

[51] Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 24.

[52] Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, pp. 25-26.

towards GPA's debt service coverage ratio, which the consultants determine should raise the ratio to 1.3.[53]

D. Stipulation Between the U.S. Navy and GPA

In the Joint Stipulation Regarding Schedule N, GPA, the Navy, and MCG agree that during the "Interim Period," the following rates shall apply:

> Demand: $45.11 per kW of Contract Demand;
> Energy: $0.0060 per kWh; and
> Customer: $12,000 per month.[54]

The parties define the Interim Period as the twelve months beginning on January 1, 2026 through December 31, 2026.[55] Additionally, the parties contemplate that, prior to the end of the Interim Period, new rates would replace rates applied during the Interim Period.[56] However, where such new rates are not agreed to by the parties, then the stipulated rates shall remain in effect until such time the PUC issues an order establishing new rates for the Navy.[57]

The parties further agree that during this Interim Period, the Navy's Contract Demand will be initially established at 51,200kW.[58] Significantly, the parties have indicated that during the Interim Period, each new monthly Navy demand above the existing Contract Demand will establish a new Contract Demand rate *in the instant month and for all remaining months* of the Interim Period.[59] Accordingly, in months where the Contract Demand exceeds 51,200kW, such

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53 Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 26.

54 Joint Stipulation Re: Schedule N of GPA's Amended Petition, p. 2 (Dec. 15, 2025).

55 Joint Stipulation Re: Schedule N of GPA's Amended Petition, p. 2.

56 Joint Stipulation Re: Schedule N of GPA's Amended Petition, p. 2.

57 Joint Stipulation Re: Schedule N of GPA's Amended Petition, p. 2.

58 Joint Stipulation Re: Schedule N of GPA's Amended Petition, p. 2.

59 Joint Stipulation Re: Schedule N of GPA's Amended Petition, p. 2 (emphasis added).

demand shall replace the initially established Contract Demand of 51,200kW, and shall continue in this manner through the Interim Period.[60]

The parties have also indicated that during the Interim Period, "GPA's need for reserve generation, the system costs of carrying such reserve generation, and how the costs of reserve generation are allocated to GPA customer classes, including [the] Navy" shall be analyzed.[61] According to the parties, such analysis shall include "consideration of GPA's continued use of older generating units in standby mode for the potential Navy growth beyond normal reserve planning requirements."[62]

E. Review by Marianas Consulting Group

As made clear in these proceedings, the base rate increase is "mainly requested" to pay the independent power producer and debt service costs of the new power plant.[63] As part of its review, MCG has considered GPA's financial statements, bond financing requirements, and cash flow for FY26.[64] In its analysis, MCG adjusted GPA's summary revenue requirement to reflect a reduction in revenue due to the following: the delay in implementing base rate increases; funding the Working Capital Fund for FY26; reduction in various Ukudu Power Plant expenses and costs due to the delay in its commissioning; decrease in estimated labor costs, just to name a

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60 Joint Stipulation Re: Schedule N of GPA's Amended Petition, p. 2.

61 Joint Stipulation Re: Schedule N of GPA's Amended Petition, p. 3.

62 Joint Stipulation Re: Schedule N of GPA's Amended Petition, p. 3.

63 Report by Marianas Consulting Group, L.L.C., p. 1 (Dec. 15, 2025).

64 Report by Marianas Consulting Group, p. 2.

few.[65] MCG also indicated that no liquidated damages calculations were made part of its analysis, which in October was about $7.4 million.[66]

1. **<u>MCG's Findings</u>**

Based on its review, MCG has concluded that GPA's proposed increase in its base rates, effective January 1, 2026, will "result in a net loss of approximately <u>$18.5 million</u> for the fiscal year ending September 30, 2026."[67] Such shortfall, according to MCG, would result in a debt service coverage ratio of approximately 2.06 based on the computing method of bond counsel; or 1.28 based on the rating agency method.[68] MCG also projects a $5.4 million cash flow shortfall for FY26. It noted, however, several items that may impact this projection.[69] MCG projects a similar shortfall in FY27 as well.[70]

3. **<u>MCG's Recommendations</u>**

Based on its review, MCG submitted the following recommendations. First, with respect to GPA's Self-Insurance Surcharge, MCG discovered that GPA failed to bill the Navy for self-insurance charges since the beginning of FY2025.[71] It recommended that GPA bill the Navy for all outstanding self-insurance charges during FY2025 to date.[72]

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[65] Report by Marianas Consulting Group, p. 4.

[66] Report by Marianas Consulting Group, p. 4.

[67] Report by Marianas Consulting Group, p. 4 (emphasis added).

[68] Report by Marianas Consulting Group, p. 4.

[69] Report by Marianas Consulting Group, p. 4.

[70] Report by Marianas Consulting Group, p. 4.

[71] Report by Marianas Consulting Group, p. 4.

[72] Report by Marianas Consulting Group, p. 4.

Next, MCG recommended that GPA petition the PUC to apply any recovery of liquidated damages to the LEAC under-recovery and the Navy fuel cost share until the LEAC under-recovery is reduced to a more "manageable level."[73]

During its review, MCG determined that GPA's Working Capital Fund has been underfunded by approximately $27 million at the end of September 2025.[74] According to MCG, the last deposit to the fund was in June 2023.[75] However, MCG's analysis included about $15 million from the Cabras 3 & 4 insurance proceeds.[76] Accordingly, MCG recommended that GPA petition the PUC for approval to deposit the insurance proceeds to the Working Capital Fund.[77]

MCG has indicated that its cash flow analysis includes about $4.2 million in collections of FEMA receivables related to Typhoon Mawar.[78] MCG recommends that if the FEMA receivables are not collected by the third anniversary of Typhoon Mawar, that GPA consider petitioning the PUC to draw-down Self-Insurance funds for these receivables; and when the FEMA receivables are collected later, GPA should then reimburse the Self-Insurance fund up to the amount originally drawn down.[79] MCG reminded GPA that any Self-Insurance draw-down

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73 Report by Marianas Consulting Group, p. 5.

74 Report by Marianas Consulting Group, p. 5.

75 Report by Marianas Consulting Group, p. 5.

76 Report by Marianas Consulting Group, p. 5.

77 Report by Marianas Consulting Group, p. 5.

78 Report by Marianas Consulting Group, p. 5.

79 Report by Marianas Consulting Group, p. 5.

exceeding $2.5 million would be subject to an audit, therefore requiring any costs or expenses to be "adequately documented and supported."[80]

MCG recommends that GPA "lobby" the CCU for rate relief for water and heated water disposal, which fees are assessed at the maximum level by GWA.[81]

Based on its review, MCG recommended approval of "joint proposed rates" indicated in "Schedule 2" of its report.[82] MCG indicated that the proposed rates are "based on a cost-of-service study and generate approximately the same revenue as the GPA proposed rates", and based on the Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp.[83]

D. <u>ALJ's Findings</u>

The ALJ hereby makes the following findings based on GPA's Amended Petition, including all the exhibits, attachments, and testimony appended thereto; GPA Resolution No. FY2025-11; the Joint Testimony of consultants Marc Hellman, Ph.D. and Mark Beauchamp submitted on behalf of MCG and GPA; the Stipulation submitted by the Navy, GPA, and MCG regarding the Navy Rate contained in "Schedule N" of GPA's tariff; and the December 16, 2025 Report prepared by MCG concerning this rate investigation. This record listed above is incorporated to this report by reference.

The ALJ hereby adopts the findings made by MCG and those indicated in the Joint Testimony of the Marc Hellman, Ph.D. and Mark Beauchamp. Based on the record before this Commission, the ALJ further finds that the proposed adjustments to GPA's base rate, which are listed in "Schedule 2" of the MCG Report under the "Joint Proposed Rate", and the revised rate

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80 Report by Marianas Consulting Group, p. 5.

81 Report by Marianas Consulting Group, p. 5.

82 Report by Marianas Consulting Group, p. 5.

83 Report by Marianas Consulting Group, p. 5.

schedules, appended at the end of the consultants' Joint Testimony, are reasonable, prudent, and necessary, and therefore should be adopted by the Commission.

Section 12015 of Title 12 of the ("G.C.A.") provides that: "[a]ll rates, charges, assessments, and costs made or charged by any public utility shall be just and reasonable and in conformance with public law, and shall be filed with the Commission; and no rate, charge or assessment cost shall be established, abandoned, modified, departed from or changed without a public hearing and the prior approval of the Commission." 12 G.C.A. §12015(a). Additionally, Section 12017 of the same Title provides that: "[t]he term just and reasonable as used in this Article is defined as that rate, charge or assessment cost which enables the public utility to repay its debts, finance its obligations, finance its capital improvement needs and cover all its operating expenses." 12 G.C.A. §12017.

Based on the standard expressed above, the ALJ finds that rate increases and adjustments are "just" and "reasonable" because such adjustments are necessary in order to enable GPA to fund the costs related to the operations of the new power plant, continue to meet its responsibilities under the federal consent decree, and meet its debt service coverage requirements.

CONCLUSION AND RECOMMENDATION

Based on the foregoing, the ALJ hereby recommends that the PUC approve the proposed adjustments to GPA's base rate, which are listed in "Schedule 2" of the MCG Report as the "Joint Proposed Rate", as well as approve the revised rate schedules, appended at the end of the consultants' Joint Testimony.

Additionally, based on the recommendations of MCG and the other consultants, the ALJ further recommends that the PUC order the following. The Commission should require GPA to bill the Navy for all outstanding self-insurance charges during FY2025 to date. In addition, GPA should petition the PUC to apply any recovery of liquidated damages to the LEAC under-recovery and the Navy fuel cost share until the LEAC under-recovery is reduced to a more "manageable level." GPA should also be required to petition the PUC for approval to deposit the insurance proceeds to the Working Capital Fund.

The Commission should require GPA, as part of its upcoming review and examination of its Navy Rate, to study GPA's costs in maintaining standby generation to serve potential Navy load growth.

With respect to "Schedule N," the Commission should adopt the findings contained in the December 15, 2025 Stipulation, approving the language, charges, and rates indicated in the revision appended at the end of the consultants' Joint Testimony.

The Commission should further consider requiring GPA to examine: (1) low-income bill support programs; and (2) the elimination of rate differentials between small "private" rates and "government" rates; and (3) to request from the CCU some type of rate relief for water and heated water disposal, which fees are assessed at the maximum level by GWA.

A proposed Rate Decision is submitted herewith for the Commissioners' consideration.

Dated this 19th day of December, 2025.

JOEPHET R. ALCANTARA
Administrative Law Judge

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