**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

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| IN THE MATTER OF: | ) | GPA Docket 26-03 |
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| Guam Power Authority Levelized Energy Adjustment Clause (LEAC) | ) | **ALJ REPORT** |
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## INTRODUCTION

This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] to reduce the current secondary Levelized Energy Adjustment Clause (LEAC) factor from $0.155495/kWh to $0.135840/ kWh for meters read on or after January 1, 2026, through July 31, 2026.[1]

## BACKGROUND

Effective August 1, 2025, the PUC reduced the secondary LEAC factor from $0.208802 to $0.155495/kWh for meters read on or after August 1, 2025.[2] The reasons for the reduction in the LEAC factor were: (1) a reduction in the average market price of fuel to $100.01/bbl. for the period of February 1, 2025, through July 31, 2025; (2) the projected average price of fuel for the period ending January 31, 2026 at $89.93/bbl.;[3] and (3) the pending operational availability of the Ukudu power plant in December 2025, which will significantly reduce the amount of fuel required. Decreased fuel consumption will result from the Ukudu plant's high efficiency.[4]

[1] GPA Petition, In the Matter of: Guam Power Authority Levelized Energy Adjustment Clause (LEAC), GPA Docket 26-03, dated December 5, 2025.
[2] PUC Order, GPA Docket 25-13, dated June 26, 2025, at p. 8.
[3] Id. at p. 2.
[4] GPA Petition at p. 2.

In GPA Resolution No. FY2026-03, dated December 4, 2025, the Guam Consolidated Commission on Utilities ["CCU"] authorized GPA management to petition the PUC to reduce the current secondary LEAC Factor from $0.155495/kWh to $0.135840/kWh effective for the period from January 1, 2026 through July 31, 2026.[5]

The average market price of fuel used in the current LEAC period from August 1, 2025 through January 31, 2026 was $97.86/bbl. The projected price of fuel for the period ending July 31, 2026 is expected to be $97.82/bbl. There has been a slight reduction in the projected fuel cost.[6]

There has been a steady reduction in the amount of the secondary LEAC Factor since January of this year. The Factor was reduced by the PUC from approximately 26 cents in January per/kWh to 15.5 cents in August per/kWh. If the PUC adopts GPA's proposal, there will be a further reduction to 13.5 cents, nearly a 50% reduction in the secondary LEAC Factor this year.[7]

On November 27, 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 December 11, 2025, MCG provided its Report in response to GPA's Petition.[8] Copies of the MCG Report have been provided to the Commissioners.

[5] 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 January 1, 2026 through July 31, 2026, adopted and approved on December 4, 2025.
[6] Id.
[7] GPA Petition at p. 13.
[8] Marianas Consulting Group, Report in GPA Docket 26-03, dated December 11, 2025.

## ANALYSIS

### I. GPA'S LEAC PROPOSAL

GPA is proposing to implement a base rate adjustment increase concurrently with LEAC Factor reduction effective January 1, 2026, "thereby aligning rate changes with the anticipated full commissioning of the Ukudu Power Plant by December 31, 2025."[9] While GPA states that the base rate increase is necessary to recover the costs associated with the Ukudu Power Plant, the corresponding reduction in the LEAC charge, resulting from decreased fuel consumption due to the plant's high efficiency, will "help mitigate the overall financial impact on customers. By implementing both adjustments simultaneously, GPA ensures that ratepayers receive the full benefit of anticipated fuel savings from the Ukudu Power Plant, thereby reducing the net effect on customers' bills."[10]

The LEAC Factor proposed by GPA would be in effect for seven months, rather than for the six-month LEAC period established by Tariff Z.

In addition to the slight decrease in fuel prices, GPA justifies the LEAC reduction as the means of offsetting the base rate increase to the ratepayers. GPA estimates that the monthly increase in the bill to the average ratepayer, when the impacts of the base rate increase and the LEAC reduction are combined, would be $8.13. GPA also contends that the average ratepayer will accrue over $1,200 of annual savings because of the LEAC reductions over the past year.[11]

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[9] GPA Petition, Exhibit A to GPA Resolution No. FY2026-03, p. 2.
[10] Id.
[11] GPA Petition at p. 12.

A further justification for the LEAC decrease is that the Ukudu Power Plant is expected to reduce GPA's annual fuel consumption by more than 900,000 barrels per year.[12]

GPA has provided a justification for the adoption of its proposed LEAC Factor.

## II. THERE IS RISK TO THE ADOPTION OF THE LEAC FACTOR PROPOSED BY GPA.

GPA estimates a projected LEAC under-recovery at December 31, 2025, of $14.514M. GPA will not bill the ratepayers for the under-recovery. In its LEAC proposal, GPA has deducted the amount of $14.2M from fuel costs to arrive at the Factor of $0.135840. GPA plans to apply the liquidated damages owed by KEPCO for the delay in achieving full commissioning of the Ukudu plant toward the projected under-recovery at the end of January 2026. However, GPA has also indicated that the revised estimate of LEAC under-recovery for the period from January 2026 through July 2026 is $11.9M.[13]

To offset the projected under-recovery for the next LEAC period, GPA further states that it is "actively coordinating with our vendor on the sale of GPA's excess ULSFO inventory. The proceeds from this buy back will be applied to offset the under-recovery during this time frame [i.e. January-July 2026]".[14] The question arises as to whether GPA will have sufficient funds to cover the LEAC under-recovery as of July 2026.

There is no assurance that the buyback will proceed. GPA will likely experience a shortfall in the fuel factor recovery over the next seven months, which could necessitate

[12] GPA Newsletter, December 5, 2025, "CCU Approves LEAC Reduction effective January 1, 2026 Lowering Fuel Charges for GPA Customers", at p. 2.
[13] GPA's Response to Data Inquiry No. 3, dated December 2, 2025.
[14] Id.

future LEAC increases. There is a risk that the LEAC Factor for the next period is being set at too low a level. GPA believes that it can accept the proposed under-recovery amounts, and that the LEAC Factor which it proposes is manageable. Thus, GPA is assuming the risk for the LEAC Factor being set. Both GPA and the ratepayers bear a risk that the LEAC Factor is being set at too low a level.

In weighing the benefits and risks for the proposed LEAC Factor, protection of ratepayers from an undue rise in base rates is an important consideration.

## III. THE PUC CONSULTANT, MCG, HAS CONCLUDED THAT THERE COULD BE A SUBSTANTIAL LEAC UNDER- RECOVERY BY JULY 2026.

The Marianas Consulting Group Report is attached hereto as Exhibit "1". MCG states that the LEAC under-recovery, as of July 31, 2026, will be approximately $10.23M, rather than the $11.86M calculated by GPA, due to certain computational errors made by GPA. GPA hopes to obtain $11-12M from the sale of 162,000 barrels of ULSF, which would be used by GPA to offset the under-recovery as of July 31, 2026. MCG is not fully confident that GPA can sell the ULSF. GPA did not include the projected sale proceeds in its LEAC computations for January through July 2026.[15]

MCG concludes: "…if the ULSF oil sale proceeds are not realized, the LEAC under-recovery may be $10 million or more as of July 31, 2026, and the LEAC rate may require a significant increase in the next LEAC filing to reduce the under-recovery."[16]
To fully recover the July 31, 2026, under-recovery balance, MCG suggests that the LEAC Factor would have to be set at $0.149693 per/kWh rather than the $0.135840 per/kWh proposed by GPA.[17]

[15] Marianas Consulting Group, Report in GPA Docket 26-03, dated December 11, 2025, at p. 2.
[16] Id.
[17] MCG Report, Schedule 1.

## RECOMMENDATION

For the reasons stated in this Report, the Administrative Law Judge concludes that it is reasonable for GPA to cushion the impact upon ratepayers of the increase in base rates by reducing the LEAC Factor. If a large under-recovery balance remains as of July 31, 2026, the PUC has the option of raising the LEAC factor. The process for setting LEAC is flexible and self-correcting. In the past, the LEAC under-recovery had risen as high as over $47M. An under-recovery level of $10M should be manageable. Although there are risks, the ALJ recommends that the PUC adopt the proposal of the Guam Power Authority to reduce the current LEAC Factor from $0.155495/kWh to $0.135840/kWh, for meters read on and after January 1, 2026 and through July 31, 2026.

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

Dated this 15th day of December, 2025.

Frederick J. Horecky
Frederick J. Horecky
Chief Administrative Law Judge

MARIANAS CONSULTING GROUP, LLC

141 Calamendo Court, Dededo, Guam 96929
Telephone Number (671) 488-2816

December 11, 2025

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

Re: Guam Power Authority Docket No. 26-03 Petition of the Guam Power Authority to Reduce the Levelized Energy Adjustment Clause (LEAC) for the Period of January 1, 2026 through July 31, 2026

Dear Mr. Horecky:

This letter is in response to Guam Power Authority's (GPA's) petition of a reduction in the current Levelized Energy Adjustment Clause (LEAC) factors effective January 1, 2026 through July 31, 2026. GPA is requesting that the current LEAC rate of $0.155495 per kWh for secondary distribution service be reduced to $0.135840 per kWh effective January 1, 2026.

GPA has requested that the LEAC rate be decreased a month early to correspond with the proposed base rate increase to be effective January 1, 2026. According to GPA, the combined effect of the base rate increase and the LEAC rate decrease are expected to result in a minimal overall rate increase for most GPA rate payers.

**Rate Request**

Marianas Consulting Group (MCG) has reviewed the GPA filing and the attached Schedule 1 shows projected adjusted fuel costs and LEAC revenue using the GPA LEAC rate reduction request, the MCG computation using the GPA LEAC rate reduction request, and the MCG computed full recovery LEAC rate. Fuel prices are from the Morgan Stanley (MS) fuel cost projections for the seven months ending July 31, 2026 (GPA used MS projections from November 24-28, 2025 while MCG used MS projections from December 1-5, 2025).

The GPA analysis using the $0.135840 per kWh LEAC rate results in a LEAC under-recovery of approximately $11.86 million. The MCG computation using the same rate results in a projected under-recovery of approximately $10.23 million. The difference is due to the following:

The GPA cost computation contains an error in summary costs;

GPA also projects a full LEAC recovery as of January 1, 2026, while MCG projects a $214,000 under recovery at that date;

EXHIBIT "1"

MCG updated the calculation using the most recent available MS fuel cost rates as of December 1-5, 2025, which reflected a small decrease in fuel costs.

MCG projects that a rate of $0.149693 per kWh would be required for a full recovery of fuel costs as of July 31, 2026.

**Key Assumptions**

The GPA and MCG computations include the assumption that liquidated damages billed to Guam Ukudu Power LLC (KEPCO) will be applied to offset the LEAC under-recoveries as of January 1, 2026. LEAC under-recoveries are estimated to be $14.302 million as of January 1, 2026, which includes $12.574 million of actual under-recoveries as of October 31, 2025 and estimated additional under-recoveries of $1.728 million for November and December 2025. Liquidated damages are estimated to be $14.088 million as of January 1, 2026, which includes approximately $7.4 million billed for October 2025.

GPA is also hoping to realize a significant fuel cost recovery (approximately $11-$12 million) from the sale of ULSF oil , which is the fuel used by the soon to be discontinued Cabras 1 & 2 generators. GPA has approximately 162,000 barrels of ULSF oil that it is hoping to sell for approximately $84 per barrel. This amount is <u>not</u> included in the GPA or MCG LEAC computations for January through July 2026. However, the ULSF oil is included as being used by GPA in both the GPA and MCG LEAC calculations. When MCG asked why the fuel is included as being used in the GPA projections, GPA stated this was a worst-case scenario.

**Conclusions**

MCG is of the opinion that the key question is whether GPA can realize the hoped for proceeds for the ULSF oil sales. Sales at the projected prices should offset the projected LEAC under recovery and could result in a small over recovery for the January through July 2026 period. In addition, MCG has run very early projections for the LEAC period of August 1 2026 through January 31, 2027 using the proposed LEAC rate of $0.135840 and estimated small under-recovery of $400,000 to $500,000.

However, if the ULSF oil sale proceeds are not realized, the LEAC under recovery may be $10 million or more as of July 31, 2026 and the LEAC rate may require a significant increase in the next LEAC filing to reduce the under recovery. We noted that as of the date of this report, there has been no interest in purchasing the ULSF oil.

If there are any questions about this report, please contact Cora Montellano at (671) 488 2816 or Lee Vensel at (671) 487 8331.

Sincerely,

for Lee H. Vensel
Marianas Consulting Group

**Schedule 1**

**Summary Of GPA versus MCG**

**Proposed LEAC Rates**

**($000's Except Prices and LEAC Rates)**

| | Using $0.135840 | | | Full Recovery |
|---|---|---|---|---|
| | GPA | MCG | | MCG |
| | 1/1/2026-07/31/26 | 1/1/2026-07/31/26 | | 1/1/2026-07/31/26 |
| | MS Pricing 11.24.25 to 11.28.25 | MS Pricing 12.01.25 to 12.05.25 | | MS Pricing 12.01.25 to 12.05.25 |
| 1 Average Price per Bbl-RFO &ULSFO 0.20% | $ 114.62 | $ 114.62 | | $ 114.62 |
| 2 Average Price per Bbl-Diesel | $ 90.85 | $ 90.64 | | $ 90.64 |
| 3 Number 6 (HSFO/LSFO) | $ 22,754 | $ 22,754 | | $ 22,754 |
| 4 Number 2 (Diesel) (2 | $ 97,254 | $ 97,038 | e | $ 97,038 |
| 5 Renewable (Solar) | $ 12,981 | $ 12,981 | | $ 12,981 |
| 6 TOTAL COST | $ 132,989 | $ 132,773 | | $ 132,773 |
| 7 Handling Costs | $ 6,742 | $ 6,742 | | $ 6,742 |
| 8 Total Current Fuel Expense | $ 139,731 | $ 139,515 | | $ 139,515 |
| 9 Civilian Allocation | 79.092% | 79.092% | | 79.092% |
| 10 LEAC Current Fuel Expense | $ 112,313 | $ 110,346 | | $ 110,346 |
| 11 Difference on the Actual Revenue for August 2025 | | $ - | | $ - |
| 12 Deferred Fuel Expense at the beginning of the period | $ - | $ 214 | | $ 214 |
| 13 Total LEAC Expense | $ 112,313 | $ 110,560 | | $ 110,560 |
| 14 Less: Trans. Level Costs | $ 6,092 | $ 5,968 | | $ 6,576 |
| 15 Distribution Level Costs | $ 106,221 | $ 104,592 | | $ 103,984 |
| 16 Over/(Under) recovery at the end of the period | ($11,860) | ($10,232) | | $0 |
| 17 Adjusted Distribution Level Costs | $ 94,361 | $ 94,361 | | $ 103,984 |
| 18 Distribution Level Sales (mWh) | 694,646 | 694,646 | | 694,646 |
| 19 LEAC Factor Distribution | 0.135840 | 0.135840 | | 0.149693 |
| 20 Current LEAC Factor Distribution | 0.155495 | 0.155495 | | 0.155495 |
| 21 Increase/(Decrease) | (0.01965) | (0.01966) | | (0.00580) |
| 22 Monthly Increase/(Decrease) - 1000 kWh | -$ 19.65 | -$ 19.66 | | -$ 5.80 |
| 23 % Increase/(Decrease) in LEAC | -12.64% | -12.64% | | -3.73% |
| 24 % Increase/(Decrease) in Total Bill | 3.21% | 3.21% | | 8.69% |
| 25 Discount (3%) - Primary 13.8 KV | 0.131236 | 0.131236 | | 0.144620 |
| 26 Discount (4%) - 34.5 KV | 0.130809 | 0.130809 | | 0.144149 |
| 27 Discount (5%) - 115 KV | 0.128989 | 0.128989 | | 0.142144 |
| Total Bill Amount with Base Rate Increase | $261.13 | $261.13 | | $274.98 |
| Increase/(Decrease) in Total Bill as shown on the Summary | $8.13 | $8.13 | | $21.98 |