

GUAM PUBLIC UTILITIES COMMISSION
SPECIAL MEETING
December 22, 2025



SUITE 205, 241 FARENHOLT AVENUE, OKA BUILDING, TAMUNING, GUAM

MINUTES

1. CALL TO ORDER

The Guam Public Utilities Commission [PUC] conducted a special meeting commencing at 6:30 p.m., on December 22, 2025, pursuant to due and lawful notice. The meeting was called to order at 6:40 p.m. **Commissioners Jeffrey C. Johnson, Peter B. Montinola, Joseph M. McDonald, Michael A. Pangelinan and Rowena Perez-Camacho were in attendance.** The following matters were considered at the meeting under the Agenda included as Attachment "A" hereto.

2. APPROVAL OF MINUTES

The Chairman announced that the first item of business on the agenda was the approval of the minutes from the regular meeting held on October 30, 2025. Commissioner Peter B. Montinola moved to approve the minutes, subject to corrections, which motion was seconded by Commissioner Joseph M. McDonald, and the motion was carried and unanimously passed.

The Chairperson announced that the next item of business on the agenda is the following GPA matter:

GUAM POWER AUTHORITY

3. GPA Docket No. 25-14 - Petition of the Guam Power Authority to Adjust Base Rate.

Chairman Johnson addressed the next Agenda item, GPA Docket No. 25-14, GPA's Petition to Adjust Base Rate. Chairman Johnson stated that there's an ALJ Report and a proposed Order and invited ALJ Joephet R. Alcantara to present this matter. Commissioner Michael A. Pangelinan recused himself on this matter as it directly relates to Guam Ukudu, which is a client of his law firm. ALJ Alcantara thereafter informed the Commissioners that this matter is before the PUC pursuant to GPA's amended petition to adjust its base rate which was filed on August 8, 2025, and is based on the testimony submitted by GPA GM John Benavente and GPA CFO John Kim. There are also additional testimony submitted by GPA's utility consultant, Utility Financial Solutions, LLC, namely Mr. Mark Beauchamp. There are exhibits contained in the proposed rate as well as standard filing requirements, and a resolution that was issued by the CCU, namely Resolution No. FY2025-11.

This petition proposes certain increases to GPA's base rate, which affects 11 rate schedules. GPA submits that the increases proposed are necessary because it needs to finance the new powerplant and continue to meet its responsibilities under the consent decree. GPA has indicated that the change in the base rate is prudent because it supports GPA's new efficient powerplant with fuel savings that will more than offset the effect of the base rate increase on ratepayers.

ALJ Alcanta provided the following background:

- The new Ukudu Powerplant was partly born in response to a 2020 Consent Decree filed before the U.S. District Court. A significant part of the Consent Decree required GPA to construct and operate a 180MW of new generation that utilizes ultra-low sulfur diesel, as well as requiring GPA to retire its Cabras units. As a way to fund this new powerplant, the CCU in its February 25, 2025 meeting issued the resolution, which approved adjustments to GPA's base rates. In March of 2025, GPA: (1) published its proposed rates in a newspaper of general circulation and on the internet between April and May of 2025; (2) sent notices; (3) engaged in community outreach; and, (4) sent text messages to its customers of this base rate petition.
- GPA amended its petition on August 8, 2025, and PUC's consultant for energy matters, Marianas Consulting Group ("MCG"), began its review of the amended petition. Since that time MCG and GPA exchanged information and held several meetings to clarify certain data submission. In addition, GPA and the U.S. Department of 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, which petition was granted.
- Public Hearings were held in November 19, November 20 and November 21, 2025, in the villages of Dededo, Asan and Tamuning, respectively. On December 11, 2025, consultants, Marc Hellman, Ph.D. and Mark Beauchamp, submitted their joint testimony on behalf of MCG and GPA, respectively, to address the rate spread and rate design proposals being considered in this matter. The Navy, GPA and MCG also submitted a stipulation regarding, specifically, the Navy Rate, which is contained in Schedule N of GPA's Tariff. On December 16, 2025, MCG provided ALJ Alcantara with its report on the rate investigation, which detailed its findings and recommendations. And, as indicated in the several filings on record before the PUC, GPA's base rate has remained unchanged since 2013.
- GPA GM John Benavente testified that the one-time adjustment in the base rate is necessary in order to support the financing of the Ukudu Powerplant. GM Benavente indicated that the base rate funds GPA's fixed costs including operations, maintenance, infrastructure improvements and debt service. As a result of this infrastructure investment, GPA needs to adjust the base rate portion of the ratepayers' power bills. GM Benavente also indicated that the fuel efficiency of Ukudu Powerplant will more than offset the base rate adjustment and provide savings to GPA's customers.
- GPA's consultant, Mark Beauchamp, conducted the cost of service study rate designs, and determined the revenue requirements on behalf of GPA for these proceedings and testified that without any rate changes, GPA's revenues are expected to decline from \$550M in 2024 to \$438M in 2026. Mr. Beauchamp also testified that Ukudu will significantly lower fuel expenses driving a reduction in LEAC charges and that LEAC-related costs are projected to fall from \$400M in 2024 to \$269M in 2026.
- At the Public Hearing held in Dededo on November 19, 2025, Pedro Guerrero, a former PUC Commissioner, testified that before GPA considers raising rates, it should examine its assets to determine where it can reduce its cost to offset the proposed rate adjustments. GM Benavente responded by indicating that once a new powerplant comes on line, several contracts will not be renewed, which will significantly lessen GPA's costs.

- At the Public Hearing held in Asan on November 20, 2025, PUC Commissioner Doris Flores-Brooks questioned whether there would be an opportunity to lower the base rate after the adjustments to the base rate are implemented and 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 Flores-Brooks also inquired if GPA anticipates the need for another Ukudu Powerplant, in which GM Benavente responded that the island would not need a similar type of investment for another 25 to 30 years.
- There was no testimony taken at the Public Hearing held in Tamuning, on November 21, 2025.
- Marc Hellman, the energy consultant appearing on behalf of MCG, and Mark Beauchamp, the consultant for GPA, submitted joint testimony addressing GPA's rate spread and rate design proposals, wherein they recommended that the proposed rate spread be revised to allocate the costs for Ukudu Powerplant solely on the basis of customer classes' relative use for that energy. The consultants maintained that the reason all of the Ukudu fixed costs are recommended to be allocated to energy is that the Ukudu Powerplant decreases overall costs even when recognizing the fixed cost, and so it is cost-beneficial to add the powerplant on energy considerations alone. Additionally, the consultants further recommended that the residential customer charge be increased from \$15 to \$25 per month instead of \$20 as originally proposed by GPA. The consultants indicated that the residential customer charge is still "below cost" even at the proposed \$20 rate and the consultants have noted in their submission that net metering customers are overcompensated, which results in the subsidy from the non-net metering customers to the net metering customers. Based on this analysis, the consultants recommended that the PUC adopt the residential customer charge of \$25 per month. In addition, to mitigate the impact of this increase, the consultants further recommended lowering the kWh price as applied to the initial block of 500kWh. 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 between the 300 to 2900kWh range will see a noticeable reduction in their bills. The consultants also recommended the PUC and GPA consider a low-income bill support program. While they had not analyzed the correlation between Guam low-cost -- Guam low-income customers and their use of electricity, they do advise creating a targeted bill support program that can be offered, which will provide low-income customers with discounts on their electrical bills. The consultants further recommended that GPA eliminate the rate differentials between small private rates and government rates as they did not observe an actual cost differential that would warrant rate differentials between both small and large private and government rates, thus recommending eliminating these differentials altogether. The consultants also recommended that the PUC consider, in a separate docket, whether the Navy Rate should consider GPA's costs in maintaining standby generation to serve potential Navy load growth. The consultants expressed that if GPA is not retiring certain generating powerplants due to the potential of Navy load growth, then some or all of the generating costs may be assignable to the Navy. The consultants recommended that the PUC adopt the interim Navy Rate that was stipulated between GPA, the Navy and MCG. In particular, the stipulation regarding Schedule N has the parties agreeing that the following rates should apply in the interim period, which is defined as January 1, 2026 through December

31, 2026; that the demand be \$45.11 per kW of contract demand; that the energy be 0.00600 per kWh and that the customer pay \$12,0000.00 per month.

- The parties indicated that these new rates would eventually be replaced at some point during this interim period but if such new rates are not agreed to by the parties, then these stipulated rates should remain in effect until such time as the PUC issues an order establishing new rates for the Navy. Again, part of the stipulation amends the contract demand, which will be initially established at 51,200kWh. The parties have indicated that during the interim period, each new monthly Navy demand above this amount will establish a new contract demand rate in the month and for all remaining months of the interim period. According to this language, in the months where the contract demand exceeds 51,200kWh, the demand shall be replaced by anything above that number and will continue in this manner through the interim period. The parties also finally indicated that during the interim period, GPA's need for a reserve generation, the system cost of carrying such reserve generation, and how the costs of this reserve generation are allocated to GPA customer classes, shall be analyzed at some point, and ALJ Alcantara included that recommendation as part of the list of ordering provisions.
- MCG has submitted its final report to ALJ Alcantara. Based on its review, MCG recommended approval of the joint proposed rates indicated in Schedule 2 of its report. 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. However, MCG noted that GPA's proposed increase in its rate effective January 1, 2026, will still result in a net loss of approximately \$18.5M for the Fiscal Year ending September 30, 2026. According to MCG, this shortfall would result in a debt service coverage ratio of approximately 2.06 if based on the computing method of bond counsel; or 1.28 if based on the rating agency method. MCG also projects a \$5.4M cash shortfall for FY2026. It noted, however, that several items may still impact a similar shortfall in FY2027 as well. As part of its findings, MCG discovered that GPA failed to bill the Navy for Self-Insurance charges since the beginning of FY2025 and recommended that GPA bill the Navy for all outstanding Self-Insurance charges during FY2025 to date. MCG next 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". MCG further discovered that GPA's working capital fund has been underfunded by approximately \$27M at the end of September 2025. According to MCG, the last deposit to the fund was in June of 2023. However, MCG's analysis also includes about \$15M from the Cabras 3 and 4 insurance proceeds and thus recommends that GPA petition the PUC for approval to deposit the insurance proceeds to this Working Capital Fund. MCG indicated that GPA's cashflow analysis includes about \$4.2M in collections of FEMA receivables related to Typhoon Mawar. 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 it originally drew down. MCG finally recommended that GPA lobby the CCU for rate relief for water and heated water disposal, which it found were assessed at a maximum level by GWA.

Based on a review of the record before the PUC, as well as the standards set forth in Section 1205 of Title 12, ALJ Alcantara found that the proposed rate increases and the adjustments are just and reasonable, as these adjustments are necessary in order for GPA to fund the costs related to the operations of its new powerplant, to meet its responsibilities under the federal consent decree, as well as to meet its debt service coverage requirements. Based on the review of this record, the proposed rate order provides the following: That 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 the revised rate schedules, which are appended at the end of the consultants' joint testimony, should be approved and that GPA should be authorized to implement the joint proposed rate by January 1, 2026, and that GPA should be required to bill the Navy for any and all outstanding Self-Insurance charges during FY2025 to date; 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.

GPA should also petition the PUC for approval to deposit the Cabras 3 and 4 insurance proceeds to the Working Capital Fund; and, as part of its upcoming review and examination of its Navy Rate, GPA should study its costs in maintaining standby generation to serve potential Navy load growth. In addition, the December 15, 2025 stipulation between the Navy, GPA and MCG, regarding Schedule N should be approved. And finally, GPA should be required to examine: (1) a low-income bill support program; (2) the elimination of rate differential between small private rates and government rates; and (3) request from the CCU some type of rate relief for water and heated water disposal which have been found to be assessed at the maximum level by GWA.

Chairman Johnson solicited for comments from GPA and GPA Asst. GM of Administration Tricee Limtiaco stated that this docket before the PUC involves two related components of a customer's electric bill - the LEAC and the base rate. While they address different cost elements, they are closely connected and are best understood together. The LEAC reflects the cost of fuel, which fluctuates based on global markets, and is passed directly through customers. The base rate supports the infrastructure that allows GPA to reduce fuel use over time. Together, these mechanisms support GPA's Islandwide Power System, the integrated generation transmission and distribution system that serves the entire island. Additional discussions ensued between the Commissioners and GPA Tricee Limtiaco and John Kim regarding the following:

- Failure to collect from the Navy for the Self-Insurance charge and the reasons for non-collection, which GPA has since resolved or corrected.
- The status of the FEMA funding and the assurances received from FEMA that the funding will be paid.
- The 15M insurance proceeds from Cabras 3 and 4 and the payment to be made for the pipeline and gantry system, with the remaining funds to be used for Cap Ex due to the bond indenture requirement.
- Whether GPA will lobby the CCU to have GWA supply a special rate for the water usage in the powerplant.
- GPA's Working Capital Fund, its surcharge and whether GPA is still charging the surcharge.
- The current status of the solar plant on the Dededo Golf Course.
- The possibility of decreasing the base rate once things are stabilized.
- The proposed rate and the projected revenue for FY2026.

- The increase of the average residential rate as the base rate goes up and the LEAC decreases when Ukudu Powerplant comes on line.
- The proposed Navy Rate.
- The anticipated retirement of GPA's powerplants and the effects thereof due to the AI and Navy demands.

There being no further discussions or comments, Commissioner Montinola moved to approve GPA Docket No. 25-14, which motion was duly seconded by Commissioner McDonald, and the motion was carried and unanimously approved.

4. GPA Docket No. 25-21 - Petition of the Guam Power Authority to Approve Construction Change Order to Perform Lead Abatement and Additional Repairs on Tank 1934.

Chairman Johnson introduced the next item of business on the Agenda, GPA Docket No. 25-21, GPA's Petition to Approve Construction Change Order to Perform Lead Abatement and Additional Repairs on Tank 1934. Chairman Johnson stated that there is a Legal Counsel Report and a proposed Order and invited legal counsel Anthony R. Camacho to present this matter. Legal counsel Camacho thereafter informed the Commissioners that GPA operates and maintains bulk storage fuel Tanks 1934 and 1935, which are located in Piti, and constructed in 1976 by the U.S. Military. These tanks must be periodically assessed, recalibrated and refurbished to comply with U.S. EPA regulations. The last time these tanks underwent this process was in 2007 and are thus overdue for repair and recalibration. Once these tanks are refurbished, GPA plans on using them to store ultra-low sulfur diesel to supply Piti Units 7, 8 and 9, and GPA's new 180MW powerplant. In October 2018, PUC approved GPA's solicitation for bids for the bulk storage fuel tank inspection and refurbishment. On December 2, 2019, GPA issued the solicitation and it subsequently awarded the contract to Tristar, who submitted the sole bid in the amount of \$8.9M. On August 29, 2019, the PUC approved that contract with Tristar. Since then, GPA has executed 4 change orders without PUC approval, which are: Change Order 1 for about \$29K, Change Order 2 for about \$543K, Change Order 3 for about \$1.2M and Change Order 5 for about \$1.2M, for a total amount of \$3,036,658.00, which increased the total contract price to \$12,006,158.00. On May 26, 2022, in GPA Docket 22-11, the PUC approved Change Order 4, to correct defects on Tank 1935, for the amount of \$3.1M. This increased the total contract price with Tristar to approximately \$15.1M. The work on Tank 1935 has been completed and it now holds and supplies ultra-low sulfur diesel fuel to Cabras' new 180MW Powerplant.

In January 16, 2025, there was an American Petroleum Institute Report that recommended repairs to various defects on Tank 1934, which repairs were estimated at \$2.4M. On August 13, 2025, Tristar informed GPA that lead-based paint had been detected on the exterior shelf of Tank 1934. The estimated cost for the lead-based paint abatement is an additional \$1.7M, for a total change of order cost of \$4.1M, and an increase of the total contract price to \$19.2M. The CCU has approved and authorized GPA's General Manager to expend an additional \$4.1M for the change order, subject to PUC's approval.

Legal counsel Camacho initially issued his first report in October 2025, recommending that the PUC (1) approve the \$2.4M cost to correct Tank 1934's defects; (2) require GPA to submit a revised estimate and full explanation for the additional \$1.2M cost to Change Order 5; and (3) require GPA to conduct an independent test to confirm that Tank 1934 has lead-based paint to justify the \$1.7M costs. GPA has since provided the additional information and legal counsel Camacho issued his

report recommending that PUC approve and ratify the \$1.2M cost of Change Order 5, and approve the \$4.1M cost of the proposed change order, but also requiring that GPA ensure the work be completed prior to the expiration of Tristar's RFO storage contract with GPA so as to avoid a costly extension. The issue in this matter is that Tanks 1934 and 1935 were out of commission and GPA had to rent/lease bulk storage tank space from Tristar. There has already been one extension of that lease and it is crucial that the work be completed on Tank 1934, prior to the expiration of that Tristar lease to avoid another costly extension. Once the work for Tank 1934 has been completed, GPA will no longer need to extend the costly lease with Tristar for the bulk storage tank space.

It is legal counsel's opinion that GPA did not obtain PUC's prior approval for Change Order 5, in that GPA cannot incur expenses for PUC approved contracts and obligations in excess of the 20% contingency. If GPA exceed that threshold, it is required to submit the revised estimate and explanation for the additional cost to PUC and that was not the case here. GPA does allege that PUC authorized \$13.8M and Change Order 5's cost was \$1.2M -- within the 20% contingency. GPA did not take into account the costs of the other Change Orders that they had issued, without prior PUC approval, that counts towards the 20% contingency. From the original contract price of \$8.9M, 20% of that amount is \$1.7M. Change Orders 1 through 3 was within the 20% contingency because their combined costs equated to \$1.7M. However, Change Order 5's cost is \$1.2M and when added to that equation (\$1.7M), all the change orders clearly exceeded the 20% contingency. After PUC approved Change Order 4, that did increase the contract price approved by the PUC and 20% of that amount is \$2.4M. The total Change Orders for 1 through 5 is \$3M and this amount exceeds the 20% contingency. GPA has provided addition documentation substantiating Change Order 5 and legal counsel has found the cost to be reasonable, prudent and necessary. Change Order 5 is for the removal of oil sludge that could not be pumped out of Tank 1934 after it had been drained. The oil sludge has to be removed by physically entering the tank, scrubbing the sludge from the sides of the tank to the bottom and transporting it after a solution is used for the sludge to be pumpable. Whatever is remaining has to be manually removed using barrels. Tristar waived the cost for the cutter stock - that is what is used to dilute the sludge for pumpability. Tristar also charged only 20 cents per gallon to administer the recovery sludge in exchange for GPA giving Tristar title to all the sludge removed, which reduced the cost by approximately \$800K, and legal counsel Camacho found that GPA did make every effort to reduce the cost of the sludge removal. The \$4.1M Change Order 5 price is reasonable and \$2.4M of this amount is to correct defects on Tank 1934.

Similar work was performed on Tank 1935 - i.e., Change Order 4 for the amount of \$3.1M and the proposed scope of work for Tank 1935 is just a little over \$700K cheaper than the work on Tank 1934. The additional \$1.7M is for lead-based abatement that was identified by an independent and credible third-party. Tristar originally requested \$1.8M and GPA was successful in negotiating a lower amount for this scope of work to \$1.7M, which resulted in an additional \$143K in savings. Legal counsel Camacho therefore found the proposed Change Order 5 to be reasonable.

Tristar is performing the work for Change Order 5 to Tank 1934 and it (Tristar) also has a contract/lease for the bulk fuel storage. Tristar estimates about 6 to 10 months, excluding material delivery, to perform the additional work for Change Order 5. Tristar's lease for bulk fuel storage expires in August 2026 and it is crucial that the work on Change Order 5 be completed by August 2026, so as to avoid a costly extension of Tristar's bulk fuel storage lease.

Accordingly, legal counsel Camacho found that although expensive, correcting Tank 1934's defects and performing the lead abatement is absolutely necessary, as Tank 1934, in its current condition, has been deemed unsuitable for service, and correcting the defects and performing the lead

abatement is necessary to bring the Tank 1934 back into service. Legal counsel Camacho recommended that the PUC approve or basically ratify Change Order 5, approve the \$4.1M proposed change order and ensure that the project is completed within the eight-month period or by August 2026.

Chairman Johnson solicited for comments from GPA and GPA legal counsel Woloschuk pointed out that Change Order 5 happened shortly after Typhoon Mawar and there may have been confusion or misunderstanding concerning the 20% contingency rule, as GPA did not have its own legal counsel during that time. GPA Asst. GM of Administration Tricee Limtiaco, apologized for GPA's actions. Discussions ensued between the Commissioner and GPA Limtiaco concerning:

- The sludge (i.e., heavy oil or petroleum product) once they are removed from the tanks; its quality and useability and disposal.
- The dangers, hazards and labor-intensive tasks involved in cleaning GPA's Tanks 1934 and 1935 and the costs associated in cleaning said tanks located at the Cabras compound.
- The costs and length of time involved in purchasing new storage tanks, disposing old tanks, and the difficulty to obtain EPA permits.
- The important of completing the scope of work by the contract term to avoid another extension so that the ratepayers can be spared with the additional and costly expense involved in obtaining yet another extension of the Tristar contract/lease.

There being no further discussions or comments, Commissioner Pangelinan moved to approve GPA Docket No. 25-14, which motion was duly seconded by Commissioner Montinola, and the motion was carried and unanimously approved.

5. GPA 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.

Chairman Johnson addressed the next Agenda item, GPA Docket No. 26-03, GPA's Petition to Reduce the Levelized Energy Adjustment Clause (LEAC) for the Period of January 1, 2026 through July 31, 2026. The Chairman informed the Commissioners that there is an ALJ Report and a proposed Order and invited CALJ Frederick J. Horecky to present this matter. Thereafter, CALJ Horecky informed the PUC that GPA is seeking for an almost 2-cent-per-kilowatt reduction in the LEAC from 15.54 cents down to 13.58 cents. CALJ Horecky provided a brief background of PUC's prior approval of LEAC reduction due to a steep reduction in fuel prices and the pending operation availability of the Ukudu Powerplant in December 2025. In GPA Resolution FY2026-03 on December 4, 2025, the CCU authorized GPA Management to petition the PUC for this nearly 2-cent reduction in the LEAC factor. The average market price of fuel used in the current LEAC period (i.e., August 1, 2025 through January 31, 2026) was \$97.86 per barrel and the projected price for the next six-month period ending July 31, 2026 is \$97.82. Fuel prices have been fairly constant showing a very slight reduction.

The real factor is the 900K barrels of fuel that will not be used when Ukudu powerplant is on line, and since less fuel is being used, that will reduce the amount of the LEAC charge. Historically, looking at the overall picture, in January the LEAC factor was approximately 26 cents; and in January it was reduced to 15.5 cents through August per kWh. If the PUC adopts the current GPA proposal, there will be a further reduction to 13.5 cents. That will be nearly 50% reduction in the secondary LEAC factor for this year. Marianas Consulting Group (MCG) was retained to review

GPA's LEAC filing. GPA is proposing to combine the base rate case with the LEAC reduction, which would both be effective January 1st. GPA believes that will align rate charges with the anticipated full commissioning of the Ukudu Powerplant by December 31st. GPA also believes the base rate increase is necessary to recover the costs associated with the Ukudu Powerplant and the corresponding reduction in the LEAC charge will help mitigate the overall financial impact on customers. By implementing both of these changes in rates at the same time, the ratepayers will receive the full benefit of the anticipated fuel savings from the Ukudu Powerplant. GPA's justification for the LEAC reduction is as a means of offsetting the base rate increase to the ratepayers. If the LEAC is not reduced, the overall base rate increase may be over 30% and the ratepayers would be hit considerably harder.

CALJ Horecky proffers that there are certainly some risks that both GPA and the ratepayers face in GPA's proposal. GPA estimates a proposed LEAC under-recovery as of December 31, 2025, of \$14.5M and although GPA does not plan to bill the ratepayers for this under-recovery, it proposes to deduct the amount from the fuel costs to arrive at the LEAC factor of 13.5840 cents. GPA will apply the liquidated damage owed by KEPCO, for the delay in achieving full commission of the Ukudu Powerplant, towards the projected under-recovery at the end of January 2026. GPA is relying that it will have the full funds in hand to be able to pay off the LEAC under-recovery of \$14.2M that will exist at the end of January 2026.

GPA has indicated that the revised estimate of LEAC under-recovery for the period January 2026 through July 2026 is \$11.9M. GPA plans to coordinate with a vendor for the sale of GPA's excess ultra-low sulfur fuel oil (ULSFO) inventory, with the closing of Cabras 1 and 2, of approximately 162,000 barrels of this ULSFO that will no longer be needed. Assuming this plan materializes, GPA will use the sale proceeds to under-cut the recovery for the next six-month period. The real question is whether there will be sufficient funds to pay these large under-recovery amounts. There is no assurance that the buyback will proceed and with the LEAC factor being reduced, the amount GPA recovers in the next 6 to 7 months may not be sufficient. There are risks to both GPA and the ratepayers and the benefits need to be weighed. The real risk is that ratepayers would have risk but the real benefit is that ratepayers are being protected from an undue rise in base rates.

MCG, PUC's consultant, concluded that there could be a substantial LEAC under-recovery and estimated the under-recovery at \$10.23M by July 2026. MCG points out that GPA did not include the projected sale proceeds in its LEAC computation for the next six-month period. In the event the ULSFO sale proceeds are not realized, the LEAC rate may require a significant increase in the next LEAC filing to reduce the under-recovery, which MCG indicates that LEAC would have to be raised to 14.9693 cents per kWh. If there were a \$10M under-recovery at the end of July 2026, GPA and PUC resets the LEAC. That is the purpose of LEAC, to reflect shifting changes in the fuel price and the amounts of under-recovery - it's kind of a fail-safe procedure. The past LEAC under-recovery has been as high as \$47M and it would seem that in trying to balance the risks of a \$10M under-recovery that is something more manageable and both GPA and PUC would be able to deal with the under-recovery in the event of the worse-case scenario.

Based on the reasons set forth, CALJ Horecky recommends that the reduction of nearly 2 cents in LEAC be approved by the PUC, because it will help shield the ratepayers against a substantial impact resulting from the base rate increase. Thereafter, Chairman Johnson solicited for comments and discussions ensued between the Commissioners, GPA Asst. GM of Administration Tricee Lintiacio and CFO John Kim regarding the following:

- The likelihood of the purchase of Cabras' ultra-low sulfur RFO; the buyback clause for the same fuel provided; and, the difficulty of selling the ultra-low sulfur RFO to other vendors due to its obsolescence.

- GPA's other options for the ultra-low sulfur RFO and the prudence of the buyback of fuel versus disposing and burning it off.
- The current under-recovery and how GPA is dealing with the credit and offset.

There being no further inquiries or comments, Commissioner Montinola moved to approve GPA Docket No. 26-03, which motion was duly seconded by Commissioner McDonald, and the motion was carried and unanimously approved.

6. GPA Docket No. 26-04 - Petition of the Guam Power Authority to Approve the Extension of the Cabras 1 and 2 Performance Management Contract Until May 31, 2026.

Chairman Johnson addressed the next Agenda item, GPA Docket No. 26-04, GPA's Petition to Approve the Extension of Cabras 1 and 2 Performance Management Contract until May 31, 2026. The Chairman informed the Commissioners that there is a Legal Counsel Report and a proposed Order and invited legal counsel Anthony R. Camacho to present this matter. Legal counsel Camacho informed the PUC that this is yet another extension to renew the Performance Management Contract (PMC) with Taiwan Electrical & Mechanical Engineering Services (TEMES) for Cabras 1 and 2 until May 31, 2026. TEMES has been the PMC for Cabras 1 and 2 since 2020. There is a current contract for a 4-month extension which is set to expire on January 31, 2026. GPA's consent decree with the U.S. EPA generally permits GPA to operate Cabras 1 and 2 until 6 months after GPA's new Ukudu Powerplant achieves its Commercial Operation Date (COD). The Ukudu Powerplant is currently scheduled to achieve its COD on December 31, 2025. The consent decree, despite its general authorization, has expressly authorized GPA to operate Cabras 1 and 2 only until March 31, 2026, as it was anticipated that Ukudu Powerplant would achieve its COD by sometime last year if not for Typhoon Mawar. GPA and TEMES have negotiated an additional 4-month extension of the PMC to May 31, 2026 that has a fixed management fee in the amount of \$1M and a reimbursable O&M expense in the amount of approximately \$400K, for a total estimated cost of \$1.4M for the 4-month extension. The CCU has approved this requested extension. Legal counsel Camacho found the cost reasonable and prudent.

- The cost of the requested extension is the same amount PUC had previously approved - the \$1.4M for the last 4-month PMC is the same amount for the next 4-month PMC extension.
- PUC has previously found that the PMC's for Cabras 1 and 2 have greatly improved the operational efficiency, reliability and cost savings of those powerplants. Cabras 1 and 2 is the only powerplant in the GPA system that burns the low-sulfur fuel oil and this additional 4-month extension will allow GPA to burn up its remaining stocks of low-sulfur fuel oil in lieu of shipping it off island or finding some other way to dispose of it and get the plant into non-operational status, thus making this extension necessary.
- GPA has only 2 fully certified baseload powerplants and Cabras 1 and 2 is one of them. If for any reason the Ukudu Powerplant does not fully achieve its COD of December 31, 2025, GPA will need the additional backup power provided by Cabras 1 and 2.

Legal counsel Camacho recommends that the PUC approve GPA's Petition as the requested 4-month extension of the PMC with TEMES is reasonable, prudent and necessary. Chairman Johnson solicited for comments and GPA Asst. GM of Administration Tricee Limtiaco stated that although Cabras 1 and 2 have been slated for retirement, GPA relies and needs Cabras 1 and 2 on line to have that power option available, due mainly to the force majeure event that have kept Ukudu from commissioning. TEMES has been a very good partner with GPA over these years and has brought in the expertise to safely operate and properly maintain these 1970 steam plants. Once Ukudu is

fully commissioned, GPA will retire Cabras 1 and 2 and although there is no contract for retiring or decommissioning Cabras 1 and 2, it is most likely that TEMES will help secure the plant for decommissioning. Legal counsel Camacho added that the contract for the additional 4-month extension before the PUC does have a provision for shutting down the plant. Further, PUC will be approving GPA's Petition subject to, and on the condition that the U.S. EPA gives its written approval of the continued operation of Cabras 1 and 2 up to May 31, 2026.

There being no further questions or comments, Commissioner Montinola moved to approve GPA Docket No. 26-03, which motion was duly seconded by Commissioner McDonald, and the motion was carried and unanimously approved.

ADMINISTRATIVE MATTERS

7. Citizen Centric Report (CCR).

The PUC then transitioned to administrative matters, beginning with the PUC's review of its FY2024 Citizen Centric Report (CCR), which will be submitted to the Office of the Public Auditor and 38th Guam Legislature.

8. Update of Awarded Lease and Renovation for New Office Space.

Chairman Johnson announced that the next item of business on the Agenda was the Update of Awarded Lease and Renovation for New Office Space. Administrative Assistant Sheila Salas provided an update and a video recording, earlier sent to all Commissioners, of the progress of the renovation for Suite 807, DNA Building. Ms. Salas commented on the barn doors, 2 glass doors (1 frosted for the Administrative Office and 1 clear for the PUC public meeting room), the purchase of a Ring system for the Administrative Office, legal counsel Camacho's computer equipment that still needs to be purchased and the moving expenses for Mr. Camacho's office furniture which he will bring with him to the PUC.

9. Update on Solicitation of In-House Counsel.

Chairman Johnson announced that the next item of business on the Agenda was the Update on Solicitation of In-House Counsel. The Commissioners were given the opportunity to review the Employment Agreement for In-House Legal Counsel Anthony R. Camacho. Thereafter legal counsel Camacho briefly summarized his proposed contract as follows: annual salary of \$210K and 30 days of paid leave. Legal counsel Camacho stated that his employment contract for PUC's In-House Legal Counsel is similar to his existing contract with the PUC with an additional provision that the PUC will be his only employment. Legal counsel Camacho further added that he will still be performing his community service work, such as Chairman of the board for all the Camacho corporations and President of the Guam Fencing Federation. The Employment Agreement for In-House Counsel provides for Chairman Johnson's signature, once approved by the Board, with a Resolution to follow.

Commissioner Pangelinan moved to approve the Employment Agreement for In-House Legal Counsel Anthony R. Camacho, which motion was duly seconded by Commissioner Perez-Camacho, and the motion was carried and unanimously approved.

10. Resolution No. 26-02 - Commending Rowena E. Perez-Camacho for her Distinguished and Exemplary Service as a Commissioner of the Guam Public Utilities Commission.

Chairman Johnson announced that the next item of business on the Agenda is Resolution No. 26-02, commending Rowena E. Perez-Camacho for her Distinguished and Exemplary Service as a

Commissioner of the Guam Public Utilities Commission. The Commissioners affirmed Resolution No. 26-02, executed and presented to Commissioner Perez-Camacho on November 6, 2025, and read aloud said Resolution No. 26-03. Chairman Johnson reminisced on the earlier years serving with Commissioner Perez-Camacho; expressed the PUC's sincere appreciation and gratitude for all her many years of valuable and dedicated service to the PUC and conveyed that she will be dearly missed both personally and professionally.

ADJOURNMENT

There being no further business before the Commission, Commissioner Pangelinan moved to adjourn the meeting, which motion was duly seconded by Commissioner Montinola. The motion passed unanimously and the meeting was adjourned at 9:10 p.m.



Jeffrey C. Johnson
Chairperson

ATTACHMENT "A"
THE GUAM PUBLIC UTILITIES COMMISSION
NOTICE OF PUBLIC MEETING

NOTICE IS HEREBY GIVEN that the GUAM PUBLIC UTILITIES COMMISSION ("PUC") will conduct a special business meeting, commencing at 6:30 p.m. on Monday, December 22, 2025, at Suite 205, Oka Bldg., 241 Farenholt Avenue, Tamuning, Guam.

The following business will be transacted:

AGENDA

1. Call to Order
2. Approval of Minutes of October 30, 2025 Regular Meeting

GUAM POWER AUTHORITY

3. GPA Docket No. 25-14: Petition of the Guam Power Authority to Adjust Base Rate, ALJ Report, and proposed Order.
4. GPA Docket No. 25-21: Petition of the Guam Power Authority to Approve Construction Change Order to Perform Lead Abatement and Additional Repairs on Tank 1934, Legal Counsel Report and proposed Order.
5. GPA Docket No. 26-03: Petition of the Guam Power Authority to Reduce the Levelized Adjustment Clause (LEAC) for the Period of January 1, 2026 through July 31, 2026, ALJ Report, and proposed Order.
6. GPA Docket No. 26-04: Petition of the Guam Power Authority to Approve the Extension of the Cabras 1 and 2 Performance Management Contract Until May 31, 2026, Legal Counsel Report and proposed Order.

ADMINISTRATIVE MATTERS

7. Citizen Centric Report (CCR)
8. Update Of Awarded Lease and Renovation for New Office Space
9. Update on Solicitation of In-House Counsel
10. Resolution No. 26-02 Commending Rowena E. Perez-Camacho for her Distinguished and Exemplary Services as a Commissioner of the Guam Public Utilities Commission

ADJOURNMENT

Further information about the meeting may be obtained from the PUC's Administrator Lourdes R. Palomo at 671-472-1907. Those persons who require special accommodations, auxiliary aids, or services to attend the meeting should also contact Mrs. Palomo.

This Notice is paid for by the Guam Public Utilities Commission.

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



| | | |
|------------------------------|---|------------------|
| |) | GPA DOCKET 25-14 |
| |) | |
| PETITION TO ADJUST BASE RATE |) | RATE DECISION |
| BY THE GUAM POWER AUTHORITY |) | |
| |) | |
| _____ |) | |

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.

On December 19, 2025, the Administrative Law Judge of the PUC (the “ALJ”) assigned to this matter filed an ALJ Report that included his findings and recommendations based on the administrative record before the PUC. The ALJ found the following.

DETERMINATIONS

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

¹ United States v. Guam Power Authority and Marianas Energy Co., CV20-0007 (“U.S. v. G.P.A.”), 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.

⁴ Petition, p. 3.

⁵ Petition, p. 3.

On December 16, 2025, MCG provided the ALJ with its report on the rate investigation, which detailed its findings and recommendations. GPA's base rate has remained unchanged since 2013.

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

I. 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, 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

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).

⁹ Testimony of General Manager, p. 2.

¹⁰ Testimony of General Manager, p. 2.

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 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

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).

¹⁷ Testimony of Mark Beauchamp, p. 4.

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

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

2. CCU Board Resolution

In GPA Resolution No. FY2025-11, the CCU authorized GPA to petition the PUC for approval of certain proposed rate increases and charges to be used to cover payments for the new plant, along with “necessary capital improvement projects to provide for continued operational efficiency and reliability”, while also meeting its debt service coverage.²³

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.

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

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.

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.²⁴

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

²⁴ Joint Testimony of Marc Hellman, Ph.D. and Mark Beauchamp, p. 2 (Dec. 11, 2025).

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

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

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.

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.

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 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

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.

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.

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 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

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.

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.

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 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

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

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.

Interim Period.⁵⁹ Accordingly, in months where the Contract Demand exceeds 51,200kW, such 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 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

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

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.

⁶⁵ Report by Marianas Consulting Group, p. 4.

⁶⁶ Report by Marianas Consulting Group, p. 4.

1. MCG's Findings

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 \$18.5 million 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. MCG's Recommendations

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

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,

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.

⁷³ Report by Marianas Consulting Group, p. 5.

⁷⁴ Report by Marianas Consulting Group, p. 5.

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 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

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.

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.

D. ALJ's Findings

The ALJ made 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 adopted 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 found 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 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 found 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

Based on the foregoing, the ALJ recommended 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 recommended 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 Cabras 3 & 4 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.

The Commission hereby adopts the findings in the December 19, 2025 ALJ Report and therefore issues the following.

ORDERING PROVISIONS

Upon careful consideration of the record herein, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS the following:

1. 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 the revised rate schedules, appended at the end of the consultants’ Joint Testimony are hereby APPROVED.

2. GPA is authorized to implement the Joint Proposed Rates by January 1, 2026.

3. GPA is required to bill the Navy for all outstanding self-insurance charges during FY2025 to date.

4. GPA shall 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.”

5. GPA shall petition the PUC for approval to deposit the Cabras 3 & 4 insurance proceeds to the Working Capital Fund.

6. GPA, as part of its upcoming review and examination of its Navy Rate, shall study its costs in maintaining standby generation to serve potential Navy load growth.

7. The December 15, 2025 Stipulation between the Navy, GPA and MCG, regarding Schedule N is APPROVED.

8. GPA is hereby required to examine: (a) low-income bill support programs; and (b) the elimination of rate differentials between small “private” rates and “government” rates; and (c) 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.

9. GPA is ordered to pay the PUC’s regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with this matter. Assessment of the PUC’s regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the PUC.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

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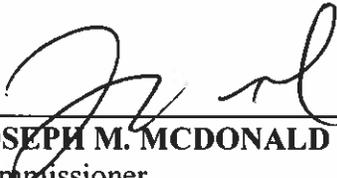
SO ORDERED this 22nd day of December, 2025.



JEFFREY C. JOHNSON
Chairman



PETER MONTINOLA
Commissioner



JOSEPH M. MCDONALD
Commissioner

MICHAEL A. PANGELINAN
Commissioner

DORIS FLORES BROOKS
Commissioner



ROWENA E. PEREZ-CAMACHO
Commissioner

P253057.JRA

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



| | | |
|----------------------------|---|------------------|
| IN THE MATTER OF: |) | GPA DOCKET 25-21 |
| |) | |
| PETITION OF THE GUAM POWER |) | |
| AUTHORITY TO APPROVE |) | ORDER |
| CONSTRUCTION CHANGE ORDER |) | |
| TO PERFORM LEAD ABATEMENT |) | |
| AND ADDITIONAL REPAIRS ON |) | |
| TANK 1934 |) | |

INTRODUCTION

1. This matter comes before the Public Utilities Commission ["PUC"] pursuant to the Guam Power Authority's ["GPA"] Petition to Approve Construction Change Order to Perform Lead Abatement and Additional Repairs on Tank 1934.¹
2. GPA contracted Tristar Agility [Tristar] to inspect and refurbish bulk storage fuel tanks 1934 and 1935 for a total contract price of \$8,969,510.² Subsequent contract change orders increased the contract cost by \$6,177,147.91 for a total contract cost of \$15,146,657.91.³
3. GPA requests that the PUC approve a change order to the GPA/Tristar Contract [Contract] for lead abatement and additional repairs on Tank 1934 in the amount of \$4,147,691.85 which would increase the total contract cost to \$19,294,349.76.⁴

BACKGROUND

4. GPA operates and maintains bulk storage fuel tanks 1934 and 1935 which are located in Piti, Guam which were constructed in 1976 by the U.S. Military and they have been in service continually since that time.⁵ These tanks must be periodically assessed, recalibrated, and refurbished to comply with U.S. Environmental Protection Agency [USEPA] regulations. The last such inspection and

¹ GPA Petition to Approve Construction Change Order to Perform Lead Abatement and Additional Repairs on Tank 1934, GPA Docket 25-21, dated September 5, 2025 [GPA Petition].

² PUC Order dated August 29, 2019 in GPA Docket No. 19-01 at 1.

³ GPA Petition at 2. NOTE: The page numbers in GPA's Petition and its exhibits are not continuous and the page numbers cited herein refer to the page number of the PDF version of the Petition which is continuous.

⁴ Id.

⁵ PUC Order dated May 26, 2022, GPA Docket No. 22-11 at 1-2.

refurbishment occurred in 2007, and they are currently due for such inspection and refurbishment to keep them in compliance with USEPA regulations. After the refurbishment of the bulk storage fuel tanks, GPA plans on using them to store Ultra Low Sulphur Diesel [ULSD] Fuel to supply Piti Power Plant 7, 8, and 9, and to supply ULSD Fuel to GPA's new 180 MW power plant.⁶

5. On October 25, 2018, in GPA Docket No. 19-1, the PUC approved GPA's solicitation for bids for the Bulk Storage Fuel Tanks Inspection and Refurbishment.⁷ On December 2, 2019, GPA issued GPA-IFB-028-19 (Bulk Storage Fuel Tanks Inspection and Refurbishment) [IFB] and awarded the contract to Tristar, who submitted the sole bid for the amount of \$8,969,510 in response to the solicitation, and on August 29, 2019, the PUC approved the contract.⁸
6. GPA executed four change orders without the PUC's approval, which were Change Order No. 1 for \$29,387, Change Order 2 for \$543,813, Change Order 3 for \$1,200,010 and Change Order No. 5 for \$1,263,448 for a total amount of \$3,036,658 which increased the total contract price to \$12,006.168.⁹
7. On May 26, 2022, in GPA Docket 22-11, the PUC approved Change Order 4 for the amount of \$3,140,489.35 for correcting defects on Tank 1935 which increased the total contract price to \$15,146,657.35.¹⁰ The work on Tank 1935 has been completed, it now holds and supplies ULSD Fuel to GPA's new 180 MW power plant.¹¹
8. On January 16, 2025, a American Petroleum Institute [API] Report recommended the repair of various defects on Tank 1934 that are estimated to cost \$2,422,572.54 and on August 13, 2025, Tristar informed GPA that lead-based paint was detected on the exterior shell of Tank 1934, and the abatement of the lead based paint is estimated to cost an additional \$1,725,119.31 for a total change order cost of \$4,147,691.85 which would increase to total contract cost to \$19,294,349.76.¹²

⁶ PUC Order dated August 29, 2019, GPA Docket 19-01 at 1-2.

⁷ PUC Order dated May 26, 2022, GPA Docket No. 22-11 at 5.

⁸ *Id.*, at 4.

⁹ GPA Petition at 6.

¹⁰ *Id.*

¹¹ *Id.*, at 2.

¹² *Id.*

9. On August 26, 2025, the Guam Consolidated Commission on Utilities [CCU] issued GPA Resolution No. FY2025-26 which authorized GPA's General Manager to expend on additional \$4,147,691.85 for a change order to perform lead abatement and additional repairs on Tank 1934 subject to the PUC's approval.¹³
10. On October 24, 2025, PUC Legal Counsel issued his first report in this matter that recommended that the PUC approve the \$2,422,572.54 cost to correct Tank 1934's defects of the proposed change order, that the PUC require GPA to submit a revised estimate and full explanation for the additional \$1,263,448 cost of Change Order No. 5 for the PUC's review and ratification, and that the PUC require GPA to conduct an independent test to confirm that Tank 1934 has lead based paint to justify the \$1,725,119.31 cost to abate such condition if it exists. Since that date, PUC Counsel has requested additional information from GPA and GPA has provided that information and said responses were filed in this matter as GPA Responses to PUC Counsel Information Requests [GPA Responses].
11. On December 12, 2025, PUC Legal Counsel issued his second report in this matter recommending that the PUC approve and ratify the \$1,263,448 cost of Change Order No. 5, and grant GPA's request that the PUC approve the \$4,147,691.84 cost of the proposed change order and that the PUC require GPA to ensure the work be completed prior to the expiration of Tristar's RFO storage contract with GPA to avoid a costly extension of that contract.

DETERMINATIONS

12. GPA failed to obtain the PUC's prior approval for Change Order 5. GPA shall not incur expenses for PUC approved contracts and obligations in excess of 20% over the amount authorized by the PUC without prior PUC approval, and in the event that GPA estimates it will exceed that threshold, it shall submit to the PUC the revised estimate and full explanation for the additional cost.¹⁴ GPA alleges that the amount the PUC authorized was \$13.8 million and that Change Order 5's cost was within 20% of this amount.¹⁵ However, this is not supported by the facts. Here, the initial contract cost was \$8,969,510 and 20% of that amount is \$1,793,902. Change

¹³ Id., at 6.

¹⁴ PUC Order, Administrative Docket, Contract Review Protocol for GPA, at 4.

¹⁵ GPA Responses at PUC-01.

Orders 1 thru 3 were within the 20% amount because their total cost was \$1,773,210. However, Change Order No. 5's \$1,263,448 cost, when added to the prior change orders that did not receive the PUC's authorization, exceeded the 20% amount. After the PUC approved Change Order 4, the total contract price approved by the PUC was \$12,109,999.35 and 20% of that amount is \$2,421,999.87 and the total cost of Change Orders 1, 2, 3, and 5 is \$3,036,658 (\$29,387 (Change Order 1) + \$543,813 (Change Order 2), \$1,200,010 (Change Order 3) + \$1,263,448 (Change Order 5) = \$3,036,658) which is more than that 20% amount. Thus, GPA was required to obtain the PUC's prior approval of Change Order No. 5 but did not do so.

13. GPA's Change Order No. 5 was reasonable, prudent, and necessary. Change Order No. 5 was for the removal and disposal of oil sludge that could not be pumped out of Tank 1934 after it had been drained.¹⁶ The \$1,263,448 cost of the change order was reasonable. The majority of this cost, \$576,680 (46% of the total cost) was for labor. The removal of the sludge was labor intensive because it would take approximately nine weeks for Tristar's personnel to enter the tank, manually move the sludge to side pumps where the sludge would be diluted and then removed by vacuum trucks. Any undiluted sludge would then be consolidated into drums and disposed of at an EPA approved site.¹⁷ Hence, the total cost was reasonable due to the labor-intensive process required to complete the work. Change Order 5 was prudent because Tristar waived the \$43,750 cost of the cutter stock that was used to dilute the sludge and residue, and because Tristar only charged 20 cents per gallon to administer the recovered sludge in exchange for GPA giving Tristar title to all sludge removed which reduced this cost by approximately \$800,000.¹⁸ Change Order 5 was necessary because the tank's unpumpable sludge had to be removed to complete the tank repairs and bring it back into service. Thus, Change Order No. 5 was reasonable, prudent, and necessary.
14. GPA must obtain the PUC's approval to expend on additional \$4,147,691.85 on the contract for a change order to perform lead abatement and additional repairs on Tank 1934. The current amount the PUC has authorized GPA to expend on the contract is \$13,883,209.35 (\$8,969,510 original contract price + \$1,773,210 for Change Orders 1 thru 3 + \$3,140,489.35 for Change Order 4 = \$13,883,209.35), and 20% of that amount is \$2,776,641.87. Hence, GPA must obtain the PUC's approval of the new change order because its \$4,147,691.85 cost exceeds the 20% threshold.

¹⁶ Id., at PUC-042.

¹⁷ Id., at PUC 041-042.

¹⁸ Id.

15. The \$4,147,691.84 cost of the proposed change order is reasonable. Tristar is asking for an additional \$2,422,572.54 to correct defects on Tank 1934's interior bottom plate and shell, exterior shell wall, roof exterior surface, bottom projection plate, and the tank's stairway and handrail.¹⁹ Similar work was done to Tank 1935 in Change Order 4 for the amount of \$3,140,489.35, and the proposed work for Tank 1934 is \$717,916.81 cheaper ($\$3,140,489.35 - \$2,422,572.54 = \$717,916.81$). The additional \$1,725,119.31 is for lead abatement, specifically the removal of lead based paint that was identified by an independent and credible third party on the tank's exterior.²⁰ Tristar originally requested the amount of \$1,868,656.31 and GPA negotiated a lower amount of \$1,725,119.31 which resulted in \$143,537 in savings ($1,868,656.31 - \$1,725,119.31 = \$143,537$). Therefore, the cost of the proposed change order is reasonable.

16. The six-to-ten-month period to perform proposed change order is only prudent if it can be done within eight months. Tristar estimates that it will take from six to ten months, excluding material delivery, to perform the work.²¹ Due to Tristar's inspection and repair of Tanks 1934 and 1935, the tanks are currently out of service and, under a separate contract, Tristar is leasing residual fuel oil [RFO] storage to GPA at the cost of \$169,209.26 per month, with \$656,640 plant delivery fee, and Tristar's RFO storage contract costs GPA \$2,687,151.17 annually and this contract is set to expire in August, 2026.²² GPA states that Tristar's completion of the work on Tank 1934 will result in GPA not continuing Tristar's RFO storage contract.²³ There are only eight more months left on Tristar's RFO storage contract and the Tristar's six-to-ten-month period, exclusive of material delivery to complete the work, will likely require another extension of Tristar's RFO storage contract. Hence, the period to perform the proposed change order must not exceed the remaining eight months of Tristar's RFO storage contract to be prudent.

17. Correcting Tank 1934's defects and performing the lead abatement is necessary. In its current condition, Tank 1934 has been deemed "not suitable for service."²⁴

¹⁹ GPA Petition at 11.

²⁰ GPA Responses at PUC-04-07.

²¹ GPA Petition at 12.

²² PUC Order dated May 29, 2025, GPA Docket No. 25-11 at 4.

²³ GPA Petition at 3.

²⁴Id., at 8.

Hence, the correcting Tank 1934's defects and performing the lead abatement are necessary to bring it back into service.

18. Based on the foregoing, the \$4,147,691.84 cost of the proposed change order is reasonable and necessary. However, GPA must carefully supervise the work to ensure that it is completed prior to the August, 2026 expiration of Tristar's RFO storage contract for the proposed change order to be prudent.

ORDERING PROVISIONS

After careful review and consideration of the above determinations, GPA's Petition to Approve Construction Change Order to Perform Lead Abatement and Additional Repairs on Tank 1934, the December 12, 2025 Report of PUC Legal Counsel, and the record herein, for good cause shown, and on motion duly made, seconded, and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's Change Order No. 5 and its \$1,263,448 cost is hereby approved and ratified.
2. GPA's request to spend \$4,147,691.84 for a change order to correct Tank 1934's defects and for lead abatement is approved. GPA shall carefully supervise the work to ensure that it is completed prior to the August, 2026 expiration of Tristar's RFO storage contract to prevent another costly extension of that contract.
3. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

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Order
Petition of the GPA To Approve
Construction Change Order To
Perform Lead Abatement And
Additional Repairs on Tank 1934
GPA Docket 25-21
December 22, 2025

Dated this 22nd day of December, 2025.



Jeffrey C. Johnson
Chairman



Joseph M. McDonald
Commissioner



Rowena E. Perez-Camacho
Commissioner

Doris Flores Brooks
Commissioner



Michael A. Pangelinan
Commissioner



Peter Montinola
Commissioner



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 26-03
)
Guam Power Authority Levelized Energy)
Adjustment Clause (LEAC)) **ORDER**
)
)
)
_____)

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.

The Administrative Law Judge filed his Report herein dated December 15, 2026.⁹ The PUC adopts the conclusions and recommendations in the Report.

DETERMINATIONS

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."¹⁰ 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."¹¹

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

⁹ ALJ Report, GPA Docket 26-03, dated December 22, 2025.

¹⁰ GPA Petition, Exhibit A to GPA Resolution No. FY2026-03, p. 2.

¹¹ Id.

that the average ratepayer will accrue over \$1,200 of annual savings because of the LEAC reductions over the past year.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.¹³

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.¹⁴

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]".¹⁵ The question arises as to whether GPA will have sufficient funds to cover the LEAC under-recovery as of July 2026.

¹² GPA Petition at p. 12.

¹³ GPA Newsletter, December 5, 2025, "CCU Approves LEAC Reduction effective January 1, 2026 Lowering Fuel Charges for GPA Customers", at p. 2.

¹⁴ GPA's Response to Data Inquiry No. 3, dated December 2, 2025.

¹⁵ Id.

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 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 to the ALJ Report 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 2026.¹⁶

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."¹⁷

¹⁶ Marianas Consulting Group, Report in GPA Docket 26-03, dated December 11, 2025, at p. 2.

¹⁷ Id.

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.¹⁸

CONCLUSION

The PUC 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.

ORDERING PROVISIONS

After carefully reviewing the record in this proceeding, having considered the LEAC Petition of GPA, the Report of PUC Consultant Marianas Consulting Group, and the Administrative Law Judge Report, and after discussion at a duly noticed regular meeting held on December 22, 2025, for good cause shown and on motion duly made, seconded and carried by affirmative vote of the undersigned Commissioners, the Guam Public Utilities Commission hereby **ORDERS** that:

1. The secondary Fuel Recovery Factor of \$0.135840 /kWh shall be effective for meters read on or after January 1, 2026.

¹⁸ MCG Report, Schedule 1.

2. The current singular LEAC factors are hereby adjusted, effective January 1, 2026, as shown in the following table:

LEAC

| Delivery Classification | \$ per kWh |
|-------------------------|------------|
| Secondary - | \$0.135840 |
| Primary - 13.8 KV | \$0.131236 |
| Primary - 34.5 KV | \$0.130809 |
| Transmission - 115 KV | \$0.128989 |

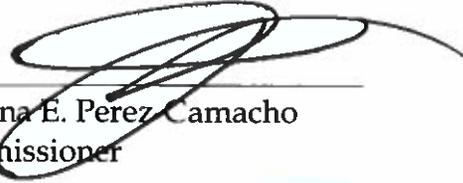
For the entire LEAC period, these changes represent a 12.64% decrease in the LEAC Factor for a residential customer utilizing an average of 1,000 kilowatt hours per month, and a 7.77% decrease in the total bill.

3. GPA should file for a change in the LEAC factors to be effective August 1, 2026, on or before June 15, 2026.
4. GPA shall file updates with the PUC on actual costs to date versus the cost estimates included in its Petition in this docket for each of seven months for the period from January 1, 2026 through January 2026 as soon as such actual costs become available.
5. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

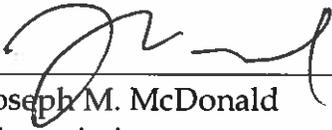
Dated this 22nd day of December 2025.



Jeffrey C. Johnson
Chairman



Rowena E. Perez Camacho
Commissioner



Joseph M. McDonald
Commissioner



Michael A. Pangelinan
Commissioner



Peter Montinola
Commissioner

Doris Flores Brooks
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



| | | |
|------------------------------------|---|------------------|
| IN THE MATTER OF: |) | GPA DOCKET 26-04 |
| |) | |
| PETITION OF THE GUAM POWER |) | |
| AUTHORITY TO APPROVE THE |) | ORDER |
| EXTENSION OF CABRAS 1 & 2 |) | |
| PERFORMANCE MANAGEMENT |) | |
| <u>CONTRACT UNTIL MAY 31, 2026</u> |) | |

INTRODUCTION

1. This matter comes before the Public Utilities Commission ["PUC"] pursuant to the Guam Power Authority's ["GPA"] Petition to Extend the Performance Management Contract for Cabras 1 and 2 [PMC] to May 31, 2026.¹
2. The existing extension of the PMC will expire on January 31, 2026.²
3. GPA requests that the PUC approve GPA's extension of the PMC for an additional four (4) months to expire on May 31, 2026 that has a Fixed Management Fee in the amount of \$1,026,091 and reimbursable O&M expenses in the amount of \$400,000, for a total of \$1,426,091 for the four (4) month extension.³

BACKGROUND

4. Taiwan Electrical & Mechanical Services, Inc. [TEMES] has had the PMC for Cabras 1 and 2 since October 1, 2020 and its initial three (3) year term expired on September 30, 2023. The PMC had two (2) one (1) year options to renew which GPA has exercised and which expired on September 30, 2025.⁴
5. On September 26, 2025, the PUC authorized a four-month extension of the PMC which is set to expire on January 31, 2026.⁵

¹ GPA Petition to Extend the Performance Management Contract for Cabras 1 and 2 to May 31, 2026, GPA Docket 26-04, dated December 5, 2025 [GPA Petition].

² GPA Petition at 2. NOTE: The page numbers in GPA's Petition and its exhibits are not continuous and the page numbers cited herein refer to the page number of the PDF version of the Petition which is continuous.

³ Id., at 4.

⁴ Id., at 2.

⁵ PUC Order dated September 26, 2025 in GPA Docket No. 25-17 at 4.

6. GPA's consent decree with the U.S. Environmental Protection Agency (USEPA) generally permits GPA to operate Cabras 1 & 2 until six (6) months after GPA's new Ukudo Power Plant achieves its commercial operation date (COD). The Ukudo Power Plant is currently scheduled to achieve COD on December 31, 2025. However, the consent decree expressly authorizes GPA to operate Cabras 1 & 2 only until March 31, 2026. GPA has informed the USEPA of its need to extend the PMC to May 31, 2026 and is currently awaiting the USEPA's response.⁶
7. GPA and TEMES negotiated a four (4) month extension of the PMC to May 31, 2026 that has a Fixed Management Fee in the amount of \$1,026,091 and reimbursable O&M expenses in the amount of \$400,000, for a total of \$1,426,091 for the four (4) month extension.⁷
8. On December 4, 2025, the Guam Consolidated Commission on Utilities ["CCU"] issued CCU Resolution No. 2026-05 authorizing GPA's management to exercise the four-month extension of the PMC and its \$1,426,091 cost subject to the PUC's approval.⁸
9. On December 8, 2025, PUC Legal Counsel issued his report recommending that the PUC grant GPA's request to approve GPA's four-month extension of the Cabras 1 & 2 PMC to May 31, 2026 for the total estimated cost of \$1,426,091 subject to the USEPA's express approval of the continued operation of Cabras 1 and 2 up to May 31, 2026.

DETERMINATIONS

10. GPA must obtain the PUC's approval for the four-month extension of the PMC contract. GPA's Contract Review Protocol states that for multi-year procurements with fixed terms and variable annual costs, such as the PMC contract at issue here, GPA shall seek PUC approval of the procurement if the cost exceeds 120% of the contract's aggregate cost initially approved by the PUC.⁹ Here, the PMC's initial cost approved by the PUC was \$9,969,188 and 120% of that amount is \$1,200,000 ($\$9,969,188 \times 120\% = \$1,200,000$).¹⁰ Here, the PMC extension will cost \$1,426,091

⁶ GPA Petition, at 2.

⁷ Id., at 4.

⁸ Id., at 8.

⁹ PUC Order, Administrative Docket, Contract Review Protocol for GPA, at page 2-3.

¹⁰ PUC Order dated July 20, 2020, GPA Docket No. 20-15 at 5.

which exceeds the \$1,200,000 threshold. Therefore, GPA must obtain the PUC's approval for the four-month PMC extension.

11. The \$1,426,091 cost of the four-month PMC extension is reasonable. The current current four-month extension of the PMC until January 31, 2026 costs a total of \$1,426,091 and the proposed four-month extension is for this same amount.¹¹ Therefore, the four-month extension cost is reasonable.
12. The four-month PMC extension is prudent. The PUC has previously found that PMCs for Cabras 1 and 2 have improved the operational efficiency, reliability, and cost savings of those power plants.¹² Additionally, the continued operation of Cabras 1 and 2 during the four-months extension period will use up GPA's remaining supply of Low Sulfur Fuel Oil which is only used by Cabras 1 & 2.¹³ Hence, the four-month extension of the PMC is prudent.
13. The four (4) extension of the PMC is necessary. GPA currently only has two baseload power plants and Cabras 1 & 2 are one of these baseload plants. If GPA does not exercise the four-month extension, Cabras 1 and 2 will not remain online after January 31, 2026 and this would potentially cause a great disruption in GPA's ability to operate the island-wide power system if the COD of the new Ukudo Power Plant is delayed after December 31, 2025.
14. Based on the foregoing, GPA's four-month contract extension with TEMES for the Cabras 1 & 2 PMC to May 31, 2026 and it's \$1,426,091 cost are reasonable, prudent, and necessary.

ORDERING PROVISIONS

After careful review and consideration of the above determinations, GPA's Petition to extend the PMC for Cabras 1&2 to May 31, 2026, the Report of PUC Legal Counsel, and the record herein, for good cause shown, and on motion duly made, seconded, and

¹¹ GPA Petition at 4. NOTE: The Petition states that the existing four-month extension is for a total amount of \$1,426,051, however, the PUC Order dated August 28, 2025 in GPA Docket No. 25-17 at 4 actually authorized the amount of \$1,426,091 based on the CCU approving that amount for the existing four-month extension that will end on January 31, 2026.

¹² PUC Order dated September 15, 2010 in GPA Docket No. 10-4 at 1.

¹³ GPA Petition at 3.

PUC Order
Petition of the Guam Power Authority
To Extend The Performance
Management Contract For Cabras 1 & 2
GPA Docket 26-04
December 22, 2025

Dated this 22nd day of December, 2025.



Jeffrey C. Johnson
Chairman



Joseph M. McDonald
Commissioner



Rowena E. Perez-Camacho
Commissioner

Doris Flores Brooks
Commissioner



Michael A. Pangelinan
Commissioner



Peter Montinola
Commissioner