

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:)

GPA DOCKET 26-11)

PETITION OF THE GUAM POWER)
AUTHORITY TO EXTEND THE TERM)
OF ULSD STORAGE LEASE)
AGREEMENT WITH TRISTAR)
TERMINAL GUAM, INC.)

SUPPLEMENTAL PUC COUNSEL)
REPORT)

INTRODUCTION

1. This matter comes before the Public Utilities Commission ["PUC"] pursuant to the Guam Power Authority's ["GPA"] Petition to Extend the Term of Ultra Low Sulphur Diesel ["ULSD"] Storage Lease Agreement with Tristar Terminal Guam, Inc. ["GPA Petition"]¹
2. GPA's contract with Tristar Terminal Guam, Inc. [Tristar] to lease Tristar's Tank 1907 expires on June 30, 2026, and GPA is requesting to enter Amendment No. 5 which extends the lease for an additional five-year term for a total cost of \$7,575,277.80 with an optional two-year extension at a price to be negotiated by the parties, which GPA intends to pay with Levelized Energy Adjustment Clause ["LEAC"] funds.²

BACKGROUND

3. On September 28, 2017, the PUC authorized GPA to lease a ULSD fuel tank from Tristar for a five-year term expiring on December 31, 2022, for an annual cost of \$1,176,000 and GPA subsequently leased Tank 1906.³ The PUC subsequently authorized GPA to amended the lease agreement to lease Tank 1907 from Tristar.⁴ Both of these tanks are located in Tristar's Hagat Terminal Facility.
4. GPA owns and operates bulk storage fuel tanks 1934 and 1935 which are located in Piti, Guam. However, GPA could not use these tanks for ULSD storage in lieu of the lease with Tristar because they were out of service and required repair and refurbishment. On October 25, 2018, in GPA Docket No. 19-1, the PUC approved

¹ GPA Petition at 1.

² Id., at 1, 4, and 5. 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 PUC Order dated February 29, 2024. GPA Docket No. 24-13 at 1-2.

⁴ Id., at 2.

GPA's solicitation for bids for the Bulk Storage Fuel Tanks Inspection and Refurbishment.⁵ On December 2, 2019, GPA issued GPA-IFB-028-19 (Bulk Storage Fuel Tanks Inspection and Refurbishment) [IFB] and awarded the contract to Tristar Agility, 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.⁶ GPA represented that after the refurbishment of the bulk storage fuel tanks, GPA would use them to store ULSD Fuel to supply Piti Power Plant 7, 8, and 9, and GPA's 180 MW Ukudu power plant.⁷

5. During the refurbishment of GPA's bulk fuel storage tanks, GPA executed four change orders which increased the total contract price to \$12,006,168.⁸ 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 \$15,146,657.35.⁹
6. On December 19, 2022, the PUC approved an extension of the lease for Tanks 1906 and 1907 for an additional two years expiring on June 30, 2024, at a cost of \$1,666,000 for Tank 1906 and 1,176,000 for Tank 1907 for a total cost of \$2,842,000.¹⁰
7. On February 29, 2024, the PUC approved an extension of the lease for Tank 1906 and 1907 to June 30, 2026, at a cost of \$2,450,000 for Tank 1906 and \$2,532,000 for Tank 1907 for a total cost of \$4,802,000.¹¹
8. On January 1, 2025, GPA terminated its lease for Tank 1906 because the work on Tank 1935 was completed, and Tank 1935 now holds and supplies ULSD Fuel to GPA's 180 MW Ukudu power plant.¹²
9. On December 22, 2025, the PUC approved a sixth change order for additional repairs and lead-based paint abatement on Tank 1934 for \$4,147,691.85 which increased the total contract cost to \$19,294,349.76 and Tank 1934 is expected to be completed by

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

⁶ Id., at 4.

⁷ PUC Order dated August 29, 2019, GPA Docket No. 19-01 at 1-2.

⁸ PUC Order dated December 22, 2025, GPA Docket No. 25-21 at 2.

⁹ Id.

¹⁰ PUC Order dated December 19, 2022. GPA Docket No. 23-05 at 5.

¹¹ Id., at 5.

¹² Id., and GPA Petition at 4.

August, 2026.¹³

10. On April 17, 2026, the Guam Consolidated Commission on Utilities [CCU] issued GPA Resolution No. FY2026-16 which authorized GPA's General Manager to enter Amendment No. 5 which extends the lease of Tank 1907 from Tristar for a five-year term at a cost of \$7,575,277.80 subject to the PUC's approval.¹⁴
11. On May 6, 2026, Guam PUC Legal Counsel issued his report recommending that the PUC deny GPA's request to approve Amendment No. 5 and its \$7,575,277.80 cost, and due to a potential gap caused by the expiration of the lease for Tank 1907 on June 30, 2026, and the potential completion of the remaining work on Tank 1934 in August, 2026, and he recommended an extension of the lease to August 31, 2026 to ensure that the work on Tank 1934 is completed prior to the expiration of the lease on Tank 1907, for a total extension cost of \$252,509.26 ($\$126,254.63$ per month x 2 months = \$252,509.26).
12. On May 18, 2026, GPA filed an addendum to its petition providing additional information justifying its request that the PUC approve Amendment No. 5 and its \$7,575,277.80 cost.

ANALYSIS

13. GPA must obtain the PUC's approval to expend on additional \$7,575,277.80 on Amendment No. 5. The PUC only authorized GPA to extend the contract to June 30, 2026.¹⁵ Hence, GPA must obtain the PUC's approval to extend the lease of Tank 1907 past that date
14. The \$7,575,277.80 cost of Amendment No. 5 is not reasonable but may be recoverable if the cost of ULSD rises above the cost of the 196,000 barrels GPA pays to fill Tank 1907. Amendment No. 5 will cost GPA \$1,515,055.56 each year for its five-year term ($\$7,575,277.80 / 5\text{-year term} = \$1,515,055.56$). The prior two-year extension from 2024 to 2026 for Tank 1907 cost GPA \$1,266,000 per year ($\$2,532,000 / 2\text{-year term} = \$1,266,000$ per year) and Amendment No. 5's \$1,515,055.56 annual cost is \$249,055.56 or 16% more than the annual cost of the last lease extension. The

¹³ PUC Order dated December 22, 2025, GPA Docket No. 25-21 at 5.

¹⁴ GPA Petition at 5.

¹⁵ PUC Order dated December 22, 2025, GPA Docket No. 25-21 at 2 and 6.

current U.S. inflation rate is 3.26% and Amendment No. 5's \$1,515,055.56 annual cost exceeds the inflation rate by 12.74%. It appears that the reason for this increase is that only Tristar can provide bulk ULSD storage in Guam and it has no competitors for this service. GPA argues that the general inflation rate indices do not accurately reflect the realities of Guam's limited bulk fuel storage market.¹⁶ However, the U.S. inflation rate is commonly used to evaluate price increases and price adjustments in contracts. Therefore, the \$7,575,277.80 cost of Amendment No. 5 is not reasonable.

GPA argues that the lease extension is necessary because Tank 1907's storage capacity will enable GPA to mitigate supply interruptions, delayed cargo arrivals, typhoon events, and geopolitical instability affecting fuel procurement and shipping logistics.¹⁷ This argument has merit. Tank 1907 has a 196,000 barrel storage capacity.¹⁸ This will provide GPA with an additional 1.47 months of ULSD.¹⁹ GPA's Tank 1934 and 1935 each have a storage capacity of 268,000 barrels or a total of 536,000 barrels, which provide GPA with 4.02 months of ULSD.²⁰ Hence, with the lease extension, GPA will have approximately five and a half months of ULSD storage available to meet various emergency contingencies.²¹ GPA has recently experienced ULSD supply chain disruption caused by the closing of the Strait of Hormuz as a result of the Iran War. This disruption resulted in GPA's fuel prices rising from \$94.57 per barrel in December, 2025 to an unprecedented \$275 per barrel by March, 2026.²² Assuming GPA filled Tank 1907 at the \$94.57 per barrel price, Tank 1907's storage capacity enabled GPA to save approximately \$35,364,280 for the period of disruption by using the fuel stored in it which was purchased at a cheaper price instead of purchasing fuel at the much

¹⁶ Addendum to Petition of GPA to Extend the Term of ULSD Storage Lease Agreement with Tristar Terminal Guam, Inc., dated May 18, 2026 [GPA Addendum] at 5.

¹⁷ GPA Addendum at 3.

¹⁸ GPA Petition to Approve Extension of ULSD Storage Lease Agreement with Tristar, GPA Docket 24-13 at 2.

¹⁹ For the period January 1 to July 31, 2026, GPA estimates that it will use a total of 932,860 barrels of ULSD for the Ukudu, Piti 8 & 9, and remaining baseload units. See GPA Petition to Increase LEAC for the Period of July 1, 2026 through July 1, 2026 through January 31, 2027, GPA Docket No. 26-13, Exhibit A at 9. $932,860 \text{ barrels} / 7 \text{ months} = 133,266 \text{ average barrels per month}$. $\text{Tank 1907's } 196,000\text{-barrel storage capacity} / 133,266 \text{ average barrels consumed per month} = 1.47 \text{ months}$.

²⁰ $\text{Tanks 1934 \& 1935 } 536,000\text{-barrel storage capacity} / 133,266 \text{ average barrels consumed per month} = 4.02 \text{ months}$.

²¹ $\text{Tank 1907's } 1.47 \text{ months of ULSD} + \text{GPA's Tank 1934 \& 1935's } 4.02 \text{ months of ULSD} = 5.49 \text{ months}$.

²² GPA Petition to Increase LEAC for the Period of July 1, 2026 through July 1, 2026 through January 31, 2027, GPA Docket No. 26-13, at

higher price.²³ These saving would also recoup the \$7,575,277.80 cost of Amendment No. 5 and result in a net savings to GPA of \$27,789,002.20.²⁴ Hence, although the \$7,575,277.80 cost of Amendment No. 5 is unreasonable, GPA will likely recoup the unreasonable cost and experience net savings during the five-year lease extension through the avoidance of paying for higher fuel prices, if GPA has not already done so.

15. The five-year lease extension of Amendment No. 5 is prudent. At a minimum, prudence requires GPA to lease Tank 1907 until the work on Tank 1934 is completed. As stated above, GPA's Tank 1934 is currently out of service while it is being refurbished and the work was supposed to be completed in August, 2026. GPA now states that the work will not be completed and Tank 1934 will be out of service until January 29, 2027.²⁵ Hence, without Tank 1934, GPA can only store 2.01 months of ULSD in Tank 1935.²⁶ Extending the lease on Tank 1907 will give GPA and additional 1.47 months of storage capacity resulting in a total of 3.48 months of ULSD storage until Tank 1934 returns to service.²⁷ It is prudent to lease Tank 1907 for the entire five-year term of Amendment No. 5. As shown above, having GPA Tank 1907 will allow GPA to purchase ULSD and store up to five and a half months of ULSD when prices are low and avoid global supply disruptions or oil price hikes caused by unexpected global events such as the protracted closing of the Strait of Hormuz as a result of the Iran War. Additionally, Tank 1907 is located farther inland from the coastal location of Tanks 1934 and 1935 which gives GPA a redundant ULSD storage capability that will be continuous despite natural or manmade disasters, such as the fire at the fuel terminal on Cabras Island during Typhoon Pongsona in 2002, which might affect one ULSD storage location and not the other.
16. The five-year extension of the Tank 1907 lease in Amendment No. 5 is necessary. As shown above, Tank 1907 allows GPA to store up to five and a half months of ULSD. The oil supply disruptions caused by the Iran War will likely continue into

²³ Tank 1907's 196,000-barrel storage capacity x \$94.57 per barrel fuel cost in December, 2025 = \$18,535,720. Tank 1907's 196,000-barrel storage capacity x \$275 per barrel fuel cost in March, 2026 = \$53,900,000. \$53,900,000 - \$18,535,720 = \$35,364,280 difference between 196,000 barrels of ULSD purchased in December, 2025 and 196,000 barrels of ULSD GPA did not have to purchase in March, 2026.

²⁴ \$35,364,280 gross savings - \$7,575,277.80 cost of Amendment No. 5 = \$27,789,002.20 net savings.

²⁵ GPA Addendum at 6.

²⁶ GPA's 4.02 months of storage capacity with Tanks 1934 & 1935 / 2 = 2.01 months of storage capacity.

²⁷ Tank 1935's 2.01 months of storage capacity + Tank 1907's 1.47 months of storage capacity = 3.48 months of storage capacity.

the foreseeable future and the war might expand throughout the greater middle east. Further, the Pacific Region is entering a El Nino period which is expected to last into next year and result in an increase in the formation of tropical storms and typhoons. Hence, increasing the ULSD fuel supply from four to five and a half months with the extension of the lease for Tank 1907 is necessary to mitigate global cost and supply disruptions and to provide GPA with a more resilient ULSD storage capability.

17. Based on the foregoing, increasing LEAC costs to pay for the \$7,575,277.80 cost of Amendment No. 5 is not reasonable but GPA will likely recoup the cost if it has not done so already, and it is prudent and necessary.

RECOMMENDATION

18. Counsel recommends that the PUC approve GPA's request to approve Amendment No. 5 and its \$7,575,277.80 cost, and the PUC should require GPA to obtain the PUC's prior approval to exercise Amendment No. 5's optional two-year extension.
19. Counsel also recommends, that, due to GPA's need for additional ULSD storage capacity becoming a permanent need, pursuant to 2 G.A.R., Div. 4, §5102(2), the PUC order GPA to submit a report within six-months after it issues its order granting GPA's petition, on whether it is more feasible to construct the additional ULSD storage capacity GPA's requires prior to the expiration of the five-year term of Amendment No. 5, in exercising the optional two-year extension or extending the lease again.
20. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 5th day of June, 2026.



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