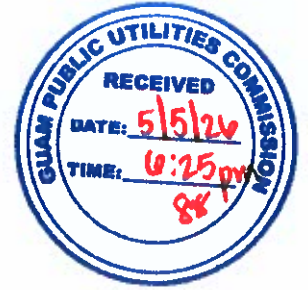


BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:)

GPA DOCKET 26-12)

PETITION OF THE GUAM POWER)
AUTHORITY TO SECURE AND)
ESTABLISH A LINE OF CREDIT FOR)
FUEL PURCHASES)

PUC COUNSEL REPORT

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [PUC] pursuant to the Guam Power Authority's [GPA] Petition to Secure and Establish a Line of Credit for Fuel Purchases [Petition].¹
2. GPA requests that the PUC authorize GPA to solicit for a line of credit ["LOC"] to pay for fuel purchases and GPA plans on using Levelized Energy Adjustment Clause funds to pay for the LOC's costs.²

BACKGROUND

3. GPA has historically maintained a LOC for its fuel supplier from the mid-1990s to about 2022.³ During this period GPA's fuel suppliers required GPA to have a LOC for the purchase of fuel and GPA first contracted with the Hong Kong Shanghai Banking Corporation ["HSBC"] to provide the LOC until HSBC ceased banking operations on Guam in 2002.⁴
4. From approximately 2002 to 2022, ANZ Bank provided GPA with the LOC its fuel suppliers required. It should be noted that ANZ Bank ceased banking operations in Guam on January 31, 2023.⁵
5. On February 25, 2014, the PUC approved GPA's last LOC with ANZ Bank for the LOC amount of \$35,000,000 not to exceed sixty days per letter and a term of five years for the initial facility term with three options to extend for an additional one-

¹ GPA Petition to Secure and Establish a Line of Credit for Fuel Purchases, GPA Docket 26-12, filed on May 1, 2026 at 1.

² Id.

³ PUC Order dated February 25, 2014, GPA Docket No. 14-06 at 1.

⁴ GPA Petition dated February 17, 2021, GPA Docket No. 14-06 at 3. NOTE: Page number refers to PDF page number due to original pagination not being continuous.

⁵ Id.

year period.⁶ The LOC's 1.9% issuance fee was estimated to cost GPA approximately \$1,000,000 per annum and \$5,000,000 for the initial facility term.⁷

6. GPA is currently experiencing price volatility for the Ultra Low Sulphur Diesel ["ULSD"] its new Ukudu power plant relies on, and fuel shipments have risen from \$25,000,000 to \$68,000,000.⁸ GPA now seeks to solicit for a LOC in the amount of \$100,000,000 to manage these high fuel costs and to avoid steep rate hikes.⁹
7. On April 17, 2026, the Guam Consolidated Commission on Utilities ["CCU"] issued GPA Resolution No. FY2026-17 authorizing GPA's General Manager to solicit, negotiate, and enter into a LOC with a qualified financial institution in an amount not to exceed \$100,000,000 and to use the LOC proceeds solely for the procurement of fuel subject to the approval of the PUC and the Governor of Guam.¹⁰

ANALYSIS

8. The PUC's Contract Review Protocol for GPA mandates that GPA obtain prior PUC approval before the procurement process has begun for all contracts that exceed the amount of \$1,500,000.¹¹ Here, although it is not possible to determine the actual cost of the LOC until the contract is awarded, GPA admits that a \$100,000,000 LOC is a major credit facility that meets the review threshold.¹² Further, the \$5,000,000 cost of GPA's \$35,000,000 LOC with ANZ Bank for its initial five year term, shows that the cost of the \$100,000,000 will greatly exceed the last LOC and meets the review threshold. Additionally, GPA must obtain the Governor's approval of the LOC. The CCU may at any time or from time to time, by resolution adopted by a majority of the CCU Board members and approved by the Governor of Guam, incur indebtedness for any lawful purpose for any period not exceeding five (5) years evidenced by contract and any such indebtedness shall be incurred subject and subordinate to any contractual obligation of the CCU to the holders of any bonds

⁶ PUC Order dated February 25, 2014, GPA Docket No. 14-06 at 1.

⁷ Id.

⁸ GPA Petition at 2.

⁹ Id., at 1.

¹⁰ Id., at 5. NOTE: Page number refers to PDF page number due to original pagination not being continuous.

¹¹ PUC Order re Contract Review Protocol for GPA, PUC Administrative Docket, filed on February 15, 2008 at 1.

¹² GPA Petition at 2.

and the principal thereof and interest thereon may be repaid. 12 G.C.A. §8241. Therefore, GPA must obtain the PUC's approval prior to issuing the solicitation for the LOC, and the approval of the PUC and the Governor of Guam for any LOC contract arising from such solicitation.

9. GPA's LOC request must be reduced to \$70,000,000 for the LOC to be reasonable. GPA intends to use the LOC as an alternative to raising its rates to cover its high fuel costs and plans on stretching those costs over time.¹³ In contrast, GPA has historically used its LOCs to follow standard industry practice which entailed paying cash in advance of a fuel delivery or providing a LOC to the fuel supplier.¹⁴ Hence, GPA's LOC request must be limited to that historical purpose. GPA states that the current price of a fuel shipment is \$68,000,000 which is 32% less than the \$100,000,000 LOC GPA requested ($68,000,000 / 100,000,000 = .32$). Doubling GPA's previous \$35,000,000 LOC will result in a \$70,000,000 LOC ($\$35,000,000 \times 2 = \$70,000,000$). This amount is sufficient to cover the current price of GPA's fuel shipments and will enable GPA to offer a cash payment in advance of a fuel shipment or the LOC. If oil prices increase, GPA's Contract Review Protocol authorizes GPA to expend up to 20% more on the LOC without additional PUC approval resulting in an additional \$14,000,000, assuming that the Governor of Guam approves this additional indebtedness, that GPA can use to meet such contingency. The amount of \$10,000,000, or \$2,000,000 per year, is the likely cost of the \$70,000,000 LOC that GPA will pay over the maximum five-year term (\$5,000,000 cost of ANZ Bank LOC over five-year initial term $\times 2 = \$10,000,000$). Therefore, a \$70,000,000 LOC to enable GPA to offer a cash payment prior to a fuel shipment or an LOC is reasonable.
10. A \$70,000,000 LOC is prudent. The PUC has previously found that GPA's possession of a LOC enhances the likelihood that GPA will receive competitive bids on fuel contract solicitations and reduces the premiums that GPA pays for its fuel.¹⁵ The PUC has also previously found that an LOC assures GPA's fuel supplier that it will be duly paid for the fuel shipped to GPA and that a LOC induces the fuel supplier to ship fuel to GPA before GPA makes a cash payment.¹⁶ Hence, a \$70,000,000 LOC is prudent.

¹³ Id., at 2.

¹⁴ GPA Petition dated February 17, 20214, GPA Docket No. 14-06 at 11.

¹⁵ PUC Order dated February 25, 2014, GPA Docket No. 14-06 at 2.

¹⁶ Id.

11. GPA's procurement of a \$70,000,000 LOC is necessary. As stated above, it is standard industry practice for GPA to pay in advance of a fuel shipment or use a LOC. With the current high fuel prices, GPA is not able to make an advance payment without threatening its working capital.¹⁷ Hence, a \$70,000,000 LOC is necessary.

12. Based on the foregoing, GPA's \$100,000,000 LOC must be reduced to \$70,000,000 to be reasonable, prudent and necessary.

RECOMMENDATION

13. Counsel recommends that the PUC approve GPA's request to solicit for a LOC, the PUC must reduce the LOC amount to \$70,000,000, the LOC solicitation must be for an LOC similar to GPA's previous LOC with ANZ Bank, and GPA must be ordered to follow the procedure set forth in GPA's Contract Review Protocol in the event that GPA only receives one bid in response to the solicitation.

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

Dated this 5th day of May, 2026.

Anthony R. Camacho

Anthony R. Camacho, Esq.
Guam PUC Legal Counsel

¹⁷ GPA Petition at 3.