BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:	)	GPA Docket 26-13
	)	
Guam Power Authority Levelized Energy Adjustment Clause (LEAC)	)	**ORDER**
	)	
	)	
	)	

INTRODUCTION

This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Notice and Instructions, dated August 28, 2026, from PUC Legal Counsel Anthony Camacho to the Guam Power Authority ["GPA"]. The Notice indicated that GPA reported to the PUC that, from June 30, 2026, to August 27, 2026, the LEAC Under-Recovery had increased from $28 million to $36 million.[1] Legal Counsel Camacho advised GPA that at the Guam PUC's September 17, 2026, Special Meeting, the PUC would review its LEAC Order dated June 25, 2026, in GPA Docket 26-13, and that the PUC "may unilaterally adjust the LEAC rate..."[2]

BACKGROUND

Effective July 1, 2026, the PUC raised the secondary Fuel Recovery Factor from $0.135840/kWh to $0.194150/kWh for meters read on or after July 1, 2026, through January 31, 2027.[3] On or about August 26, 2026, John Kim, Chief Financial Officer of the Guam Power Authority, advised Chairman Johnson that, due to the growing LEAC Under-Recovery for fuel expenses, GPA was having difficulty in paying its fuel

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[1] Email dated August 28, 2026, from PUC Legal Counsel Anthony Camacho to Acting GPA Legal Counsel Theresa Rojas, LEAC Adjustment in GPA Docket No. 26-13.
[2] Id. at p. 1.
[3] PUC Order, GPA Docket 26-13, dated June 25, 2026, at Ordering Provision No. 1, p. 6.

expenses. GPA is not receiving sufficient funds from the customer Fuel Recovery Charges to pay fuel expenses. The Affidavit of John Kim, Chief Financial Officer of the Guam Power Authority, is on file in this Docket.

CFO Kim indicates that, on June 30, 2026, the LEAC Under-Recovery was approximately $28 Million. However, within two months, by August 27, 2026, the LEAC Under-Recovery had increased by $8 Million to approximately $36 Million. If the current LEAC rate of $0.194150 were maintained at its current level through January 31, 2027, it was previously estimated on September 8 that the LEAC Under-Recovery would be over $60 Million by January 31, 2027.[4]

However, based upon a new GPA Update on the proposed LEAC rate dated 09/16/2026, GPA now estimates that the price for fuel per barrel of diesel has risen from $161 to $184.90.[5] As a result, if the current LEAC rate of $0.194150 were maintained at its current level through January 31, 2027, the LEAC Under-Recovery is estimated to be over $87.8 Million.[6] Given the substantial increase in the LEAC Under-Recovery, and the difficulties of GPA in paying its fuel expenses, the PUC has full authority, *sua sponte*, to review the current LEAC factor and to determine whether it should be adjusted within this LEAC period.

The PUC adopts the findings, recommendations and conclusions contained in the ALJ Report dated September 11, 2026, and in his presentation at he September 17 PUC

[4] Affidavit of John Kim, Chief Financial Officer of the Guam Power Authority, dated August 31, 2026, at p. 1.; see also Exhibit A attached to the ALJ Report dated September 11, 2026, Guam Power Authority Proposed LEAC Rate, Update as of 09/08/2026.
[5] Exhibit A attached hereto, Guam Power Authority Proposed LEAC Rate, Update as of 09/16/2026.
[6] Id.

meeting, and in the Marianas Consulting Group Report re: PUC Review of the Current Levelized Energy Adjustment Clause (LEAC) Factor, dated September 10, 2026.

DETERMINATIONS

I. THE PUC HAS THE AUTHORITY TO EXAMINE AND MODIFY THE LEAC FACTOR WITHIN A SIX-MONTH LEAC PERIOD WHEN THE UNDER-RECOVERY BALANCE IS PROJECTED TO EXCEED $2 MILLION.

Pursuant to 12 GCA § 12105(c), the Commission shall investigate and examine any rates and charges by any utility, and all records pertinent thereto. The Commission is empowered to establish and modify from time to time, reasonable rates and charges for the Guam Power Authority.[7] The PUC has the power to examine GPA's rates and to examine its financial condition at any time.[8] GPA Schedule "Z", the Levelized Energy Adjustment Clause (LEAC), provides that the fuel recovery charge is calculated semi-annually for a (6) six month period and is subject to the approval of the Guam Public Utilities Commission: "in the event that GPA has a cumulative under [or over] recovery balance of more than $2 Million or if the under [over] recovery balance is projected to exceed $2 Million during the 6-month levelized period, "**the Fuel Recovery charge may be adjusted to recover such deficit, subject to PUC approval.**"[9] (emphasis added).

In its Order in GPA Docket 22-05, the PUC held that it has the unilateral authority to increase the LEAC Factor regardless of whether the Guam Consolidated Commission on Utilities ["CCU"] or GPA requests that the PUC do so. The CCU Chairman stated

[7] 12 GCA §12105(c) and (e)
[8] 12 GCA §12106(a)(5) and (b)
[9] Guam Power Authority Schedule "Z", Levelized Energy Adjustment Clause (LEAC), effective with meters read on and after April 01, 2012.

that mid-term LEAC Factor Corrections were within the discretion of the PUC.[10] A copy of the Order is attached to the ALJ Report as Exhibit "B".

II. THE PUC HAS THREE OPTIONS TO ADJUST THE LEAC FUEL RECOVERY CHARGE IN RESPONSE TO THE FUEL EXPENSE UNDER-RECOVERY CRISIS PRESENTED BY GPA.

The first option is referred to as "Full Recovery."[11] This option would result in there being no fuel expense Under-Recovery by GPA at the end of the current LEAC period, January 31, 2027. **To achieve "Full Recovery", GPA would have to raise the LEAC in this proceeding to $0.403607/kWh on customer bills.** This would result in a $209.46 increase in the average customer monthly bill and a total monthly bill of $528.13. There would nearly be a twenty-one (21) cent increase in the customer charge per kWh, which would be a 65.73% increase in the total bill. Such an increase would be unreasonable and excessive.

A second option is to raise the LEAC for the average customer by $0.088558 per kWh. This option would constitute an 8.8 cent increase in the Fuel Recovery Charge per kWh. The Under-Recovery would be $50.69 Million by January 31, 2027.[12] Such an Under-Recovery balance is still large and unacceptable and would constitute the highest Under Recovery balance in Guam history; however, such an Under-Recovery balance would at least possibly enable GPA to somewhat keep pace with the rising fuel costs. Raising the LEAC factor by 8.8 cents will not significantly dent the under-recovery. However, an $87.8 Million Under-Recovery balance would take years to recover and would place GPA in financial jeopardy, possibly leading to an inability by GPA to purchase fuel oil and resulting in load shedding.

[10] PUC Order, GPA Docket 22-05, PUC Review of the Levelized Energy Adjustment Clause (LEAC) Factor Pursuant to Tariff Z, dated March 31, 2022.
[11] See Exhibit A attached hereto, Guam Power Authority Proposed LEAC Rate, Update as of 09/16/2026.
[12] Id.

The PUC should not raise the LEAC for the average customer in an amount less than $0.088558 per kWh. Any lesser increase than 8.8 cents would raise the Under-Recovery balance to an amount of over $50M, which would further extend the time-period during which the under-recovery would be paid back to GPA. Immediate action is required to reduce the under-recovery balance. Any lesser increase would raise the Under-Recovery balance to more than $50 Million at the end of this LEAC period.

If the conflict with Iran expands or worsens in the upcoming months, there could be further increases in fuel prices which might spiral the Under-Recovery balance out of control. GPA and its ratepayers will be placed in a dangerous situation if the Under-Recovery balance is allowed to grow further.

A third option would be for the PUC to leave the LEAC rate of $0.194150 in place for the remainder of this LEAC period. This approach would result in an Under-Recovery at the end of the LEAC period of over $87.8 Million. That Under-Recovery level is unacceptable. Such a level would be $40M more than the previous highest Under-Recovery level. Such an Under-Recovery level could potentially place GPA in a position of being unable to pay for fuel on an ongoing basis.

III. THE PUC SHOULD SELECT THE SECOND OPTION; THERE ARE NO OTHER VIABLE ALTERNATIVES.

Option Two would result in an Under-Recovery of $50.69 Million at the end of this LEAC period. A LEAC factor of $0.282708 would increase the monthly charge for the average residential ratepayer by $88.56 and the average monthly total bill would be $407.23. This would be an increase in the total average residential bill of 27.79%.

There has been a substantial increase in diesel fuel prices since June of this year from $142.15 Bbl-Diesel to $201.69 in mid-September 2026.[13] Since the PUC last set the LEAC Factor in this Docket in June, fuel prices have risen by about $58 per Bbl.

The Affidavit of John Kim indicates that GPA has no present funding alternatives for its fuel expenses other than an increase in the LEAC Factor. Mr. Kim indicates that in October, GPA will need to purchase 250,000 barrels of diesel at the estimated cost of $51M. GPA does not presently have enough available cash for that purchase. GPA could be $14M short. There are no available funds in the Working Capital Fund or the Self Insurance Fund to support fuel cost expenses.

GPA is attempting to secure a Line of Credit for $70 Million from banks, which line of credit was approved by the PUC in GPA Docket 26-12.[14] When GPA will have access to a Line of Credit, if at all, is speculative; there is no present assurance as to whether a Line of Credit will be available, or the amount which would be available to GPA. Immediate relief for GPA is required. The expenses and interest due on a line of credit will be added to the Under-Recovery balance owed by ratepayers and will simply increase the amounts due from the ratepayers under the Fuel Recovery Charge. Immediate relief for GPA is required.

Mr. Kim indicates that if the line of credit is available as soon as possible, no funds would likely be available until the middle of October at the earliest. From now to that time, the under-recovery will increase by millions of dollars. There is presently no indication of what terms will apply to a line of credit, such as whether the banks will require a waiver of immunity or a cash deposit to secure the line. There could be a bid

[13] Guam Power Authority, LEAC Update and Strategy Discussion, September 2026.
[14] PUC Order, GPA Docket 26-12, dated May 5, 2026.

protest. GPA's ability to pay for necessary fuel should not be based upon the speculative availability of a line of credit. If the Line of Credit does come through, the PUC can reassess the LEAC factor in November.

If the PUC took no action to increase the Fuel Recovery Factor, GPA estimates that the under-recovery would rise to nearly $88M by January 31, 2027. As Chairman Johnson stated during the meeting, any delay in raising the LEAC Factor now would result in substantial and drastic increases to the LEAC Factor in coming months. The ratepayers would bear this burden and expense. If an increase were delayed for a month, the necessary increase could then approach 12 cents. If an increase were delayed for two months, the necessary increase could then approach 18 cents. And, after four months, the necessary increase could approach 36 cents. To assist GPA in securing sufficient cash flow to meet its October fuel payment, and to protect ratepayers against future drastic LEAC increases, the LEAC Factor should be increased now.

IV. THE MARIANAS CONSULTING GROUP REPORT

MCG submitted its Report to the PUC on September 10, 2026.[15] MCG estimates that **the LEAC cost under-recovery is estimated to be $52 million by October 1, 2026.**[16] If MCG is correct, the under-recovery balance would be at its highest level in history.

MCG's Report further states: "As of July 31, 2026, the balances in GPA's Self Insurance Fund and Working Capital Fund were $838,000 and $0, respectively. These minimal balances leave GPA vulnerable to severe cash flow difficulties, and bond negative reports or even downgrades in the event of unanticipated fuel cost increases, natural

[15] Marianas Consulting Group, Public Utilities Commission (PUC) Review of the Levelized Energy Adjustment Clause (LEAC) Factor, dated September 10, 2026.
[16] Id. at p. 1.

disasters or unexpected repair or maintenance requirements. We recommend GPA re-instituting the Self Insurance and Working Capital surcharges for both civilian ratepayers and the NAVY to restore these funds to their regulatory required balances over time."[17]

CONCLUSION

For the reasons set forth in this Order, the PUC concludes that it should increase the current secondary Levelized Energy Adjustment Clause (LEAC) factor from $0.194150/kWh to $0.282708 per kWh for meters read on or after October 1, 2026, through January 31, 2027. Hereinafter, the PUC intends to monitor the current LEAC situation monthly, and to take appropriate steps to deal with this crisis.

ORDERING PROVISIONS

After carefully reviewing the record in this proceeding, having considered 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 September 17, 2026, 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 $0.282708/kWh shall be effective for meters read on or after October 1, 2026, through January 31, 2027.

[17] Id.

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

LEAC Delivery Classification	$ per kWh
Secondary -	$0.282708/kWh
Primary - 13.8 KV	$0.274260/kWh
Primary - 34.5 KV	$0.273470/kWh
Transmission - 115 KV	$0.270104/kWh

For the entire LEAC period, these changes represent a 45.61% increase in the LEAC Factor for a residential customer utilizing an average of 1,000 kilowatt hours per month, and a 27.79% increase in the total bill.

3. The PUC shall retain jurisdiction over this matter, conduct monthly reviews of the Fuel Recovery Charge, and make any appropriate or necessary changes. GPA should file for a change in the LEAC factors to be effective February 1, 2027, on or before December 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 July 1, 2026, through January 31, 2027, 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.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

SO ORDERED this 17th day of September 2026.

Jeffrey C. Johnson
Chairman

Joseph M. McDonald
Commissioner

Peter Montinola
Commissioner

Michael A. Pangelinan
Commissioner

Doris Flores Brooks
Commissioner

EXHIBIT A

GUAM POWER AUTHORITY

Proposed LEAC Rate ($000)

Update as of 09/16/2026

	OCTOBER 26 - JANUARY 27		
	Pricing from 09.11.26 to 09.15.26		
	$0.194150 As is	$0.282708 $50M Under-Recovery	$0.403607 Full Recovery
Average Price per Bbl-RFO & ULSFO 0.20%	$ -	$ -	$ -
Average Price per Bbl-Diesel	$ 184.90	$ 184.90	$ 184.90
Number 6 (HSFO/LSFO)	$ -	$ -	$ -
Number 2 (Diesel)	$ 138,956	$ 138,956	$ 138,956
Renewable (Solar)	$ 6,856	$ 6,856	$ 6,856
TOTAL COST	$ 145,812	$ 145,812	$ 145,812
Handling Costs	$ 4,128	$ 4,128	$ 4,128
Total Current Fuel Expense	$ 149,940	$ 149,940	$ 149,940
Civilian Allocation	77.185%	77.185%	77.185%
LEAC Current Fuel Expense	$ 115,732	$ 115,732	$ 115,732
Deferred Fuel Expense at the beginning of the period	$ 53,494	$ 53,494	$ 53,494
Total LEAC Expense	$ 169,226	$ 169,226	$ 169,226
Less Trans Level Costs	$ 4,901	$ 7,165	$ 10,229
Distribution Level Costs	$ 164,325	$ 162,061	$ 158,997
Over recovery/(Under) at the end of the period	$ (87,842)	$ (50,691)	$ -
Adjusted Distribution Level Costs	$ 76,483	$ 111,370	$ 158,997
Distribution Level Sales (mWh)	393,940	393,940	393,940
LEAC Factor Distribution	$ 0.194150	$ 0.282708	$ 0.403607
Current LEAC Factor Distribution	$ 0.194150	$ 0.194150	$ 0.194150
Increase/(Decrease)	-	0.088558	0.209457
Monthly Average Bill - 1000 kWh	$ 318.67	$ 407.23	$ 528.13
Monthly Increase/(Decrease) - 1000 kWh	$ -	$ 88.56	$ 209.46
% Increase/(Decrease) in LEAC	0.00%	45.61%	107.88%
% Increase/(Decrease) in Total Bill	0.00%	27.79%	65.73%
Discount (3%) - Primary 13.8 KV	$ 0.187624	$ 0.274260	$ 0.391546
Discount (4%) - 34.5 KV	$ 0.187014	$ 0.273470	$ 0.390418
Discount (5%) - 115 KV	$ 0.184412	$ 0.270104	$ 0.385611