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 Petition of the Guam Power Authority ["GPA"] to increase the current secondary Levelized Energy Adjustment Clause (LEAC) factor from $0.135840/ kWh to $0.194150/kWh for meters read on or after July 1, 2026, through January 31, 2027.[1]

BACKGROUND

Effective January 1, 2026, the PUC reduced the secondary LEAC factor from $0.155495/kWh to $0.135840 /kWh for meters read on or after January 1, 2026.[2] The reasons for the reduction in the LEAC factor were a decrease in the average market price of fuel, the operational availability of the Ukudu Power Plant, and a significant reduction in the amount of fuel oil required for power production.

In the current LEAC period, GPA has been faced with a crisis of rising fuel prices for which it is in no manner responsible. There was a tremendous increase in fuel prices and one of the most notable increases in such prices in recent years. As GPA's Petition

[1] GPA Petition, In the Matter of: Guam Power Authority Levelized Energy Adjustment Clause (LEAC), GPA Docket 26-13, dated June 3, 2026.
[2] Id. at p. 2.

demonstrates, the escalation of the Iran conflict and the subsequent closure of the Strait of Hormuz in March 2026 triggered a significant supply disruption in the oil market, driving crude prices to unprecedented levels near $275.00 per barrel: "this global volatility has substantially increased GPA's fuel shipment costs, from an average of $25 million to an estimated $60 million per shipment."[3]

In GPA Resolution No. FY2026-21, dated May 26, 2026, the Guam Consolidated Commission on Utilities ["CCU"] authorized GPA management to petition the PUC to increase the current secondary LEAC Factor from $0.135840/kWh to $0.194150/kWh effective for the period from July 1, 2026, through January 31, 2027 (an increase of roughly 5.8 cents per kWh).[4]

In support of the Resolution, the CCU indicated that the average market price of fuel used in the current LEAC period from January 1, 2026, through July 31, 2026, was $94.57/bbl. The projected price of fuel for the period ending January 31, 2027, is expected to be $142.15/bbl.[5]

On June 1, 2026, 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 June 16, 2026, MCG provided its Report in response to GPA's Petition.[6] Copies of the MCG Report have been provided to the Commissioners.

[3] GPA Petition at pgs. 1-2.
[4] Guam Consolidated Commission on Utilities, GPA Resolution No. FY2026-17, To Authorize the Management of the Guam Power Authority to Petition the Guam Public Utilities Commission to Adjust the Levelized Energy Adjustment Clause (LEAC) for the Period of July 1, 2026, through January 31, 2027, adopted and approved on May 26, 2026.
[5] Id at p. 2.
[6] Marianas Consulting Group ("MCG"), Report in GPA Docket 26-13, dated June 16, 2026.

The Administrative Law Judge filed his Report in this Docket dated June 19, 2026. The PUC adopts the conclusions and recommendations therein.

DETERMINATIONS

I. GPA HAS THREE OPTIONS IN SETTING THE LEAC RATE IN RESPONSE TO THE FUEL CRISIS; IT HAS SELECTED THE OPTION MOST ADVANTAGEOUS TO RATEPAYERS.

Under Tariff "Z", the intent is that GPA fully recovers its fuel cost from the ratepayers. The fuel charge is a "pass through" to the ratepayers—the entire cost of fuel utilized by ratepayers for power is borne by the ratepayer and not GPA. The first option is referred to as "Full Recovery."[7] This option would result in there being no fuel under-recovery by GPA at the end of the upcoming LEAC period, January 31, 2027. **To achieve "full recovery", GPA would have to raise the LEAC in this proceeding to $0.231266/kWh on customer bills**. This would result in a $95.43 increase in the average customer monthly bill, rather than the $58.31 increase that GPA is requesting.

In accordance with Tariff Z, in this proceeding the CCU and GPA would be well within their rights to request an increase in the LEAC rate to $0.231266/kWh. The LEAC is designed to recover any "deficit" in fuel expense. Ratepayers are required to reimburse GPA for all fuel costs. That GPA has not sought to recover the full cost of fuel from ratepayers in this proceeding is evidence of its effort to reduce the fuel price impact upon ratepayers.

A second option, which is the one selected by GPA, is to raise the LEAC for the average customer by over 5.8 cents per kWh, to $0.194150/kWh. This would leave an under-

[7] See Exhibit A attached to the ALJ Report, Guam Power Authority Proposed LEAC Rate, update as of 5/18/25.

recovery balance of $27,049,000 as of January 31, 2027.[8] That under-recovery balance is far more manageable than an under-recovery of $69M (i.e., no increase in the fuel recovery charge), or the prior high level of $47M under-recovery. Even if GPA's request to increase the LEAC rate is granted, GPA's power rates will still be far lower than those in Micronesia and other Pacific/island areas. With the base and fuel surcharge rates, GPA's cost to the ratepayers per kWh would total 32 cents per kWh. Other jurisdictions in the Pacific area range from 42 cents per kWh to 66.5 cents per kWh. GPA should be commended for successfully providing lower power rates to its customers. See Exhibit "B" attached to the ALJ Report, **REGIONAL RATE CHART WITH PROPOSED LEAC INCREASE.**[9]

A third option would be for GPA to leave the LEAC rate at $0.135840/kWh, which would result in no cost increase to ratepayers in this proceeding. Some members of the community have advocated this approach. The problem with this approach is that it would result in a $69,536,000 under-recovery by GPA in fuel expense by January 31, 2026. GPA would have a large financial hole in its pocket and diminished ability to purchase fuel in the future.

If it does not have financial resources to purchase fuel, GPA would be forced to subject the ratepayers to load shedding, which is a result that no one wants. Even if GPA borrows money to purchase fuel through a line of credit, the costs of such borrowing would have to be paid back by ratepayers over subsequent LEAC periods. This option does ratepayers no favor, as GPA would have to repeatedly increase the LEAC factor in subsequent LEAC proceedings to recover the under-recovery balance from ratepayers.

[8] The MCG Report indicates that the under-recovery balance could be as high as $34.5M.
[9] Guam Power Authority Newsletter, dated May 22, 2026, Re: "CCU to Consider LEAC Adjustment as Regional Fuel Costs Continue to Rise."

In the history of GPA, there has never been an under-recovery balance of more than $47M.

II. GPA HAS TAKEN SUBSTANTIAL ADDITIONAL MEASURES TO REDUCE THE IMPACT OF LEAC FUEL EXPENSE ON RATEPAYERS.

GPA has received $20,640,985.75 from KEPCO, as liquidated damages, for delays in the commercial operation of the Ukudu plant. GPA indicates that "[T]he actual liquidated damages of $20,640,000 was applied against the LEAC balance in the months the payments were received - January and April 2026……It was determined by GPA executive management that the proceeds would be applied directly against the LEAC under-recovery balance."[10] GPA could otherwise have spent the liquidated damages funds on its capital improvement projects. There is nothing in law or regulation that requires GPA to apply the liquidated damages to customer fuel bills, but it did so out of concern for the rate impact of the fuel crisis upon its customers.

Under Tariff Z, it is the ratepayers, and not GPA, that should pay ratepayer fuel expenses. However, extraordinary times demand extraordinary measures. The PUC previously authorized GPA to offset a portion of LEAC under-recovery from ratepayers with GPA funds. In GPA Docket 21-04, during covid times, the PUC authorized GPA to offset $10M from the Self Insurance Fund, and $5M from the internally funded Capital Improvement Project Funds against the LEAC under-recovery. The PUC and GPA sought to moderate the amount of the LEAC increase to ratepayers.[11]

Recently, in GPA Docket 26-12, GPA obtained approval from the PUC to establish a Line of Credit in an amount of $70M to pay in advance for fuel shipments. With the current high fuel prices, GPA may not be able to make an advance payment without

[10] GPA Response to MCG Data Set 2 GPA LEAC PETITION, Request No. 2, dated June 4, 2026.
[11] GPA Docket 21-04, LEAC, Order, dated January 28, 2021.

threatening its working capital.[12] GPA seeks to guarantee that it has sufficient funds available to purchase the fuel needed to meet customer power demand.[13]

GPA has clearly taken numerous proactive measures to protect ratepayers during this fuel crisis and to prevent a far more drastic LEAC increase.

III. THE MARIANAS CONSULTING GROUP REPORT

MCG concurs with the LEAC rate proposed by GPA for the next period of $0.194150/kWh.[14] However, it finds that the under-recovery balance would be $34.5M as of January 31, 2027, rather than the $27M estimated by GPA, a difference of $7.5M. The difference results from variances in the GPA and MCG computations of the beginning under-recovery balance and of actual fuel costs for July 2026 through January 2027.[15] According to MCG, the under-recovery balance could be reduced because of the peace settlement between the United States and Iran.[16]

Other points of note in the Report are that, for the first four months of 2026, GPA consumed 309,806 less barrels of fuel compared to the similar period in 2025: a 33.8% reduction in fuel.[17] It appears that GPA, having had the foresight to undertake the Ukudu Power Plant project, has substantially reduced the volume of fuel that ratepayers must pay for. MGG recommends that, in future LEAC Petitions, GPA should present at least a subtotal of fuel consumption and power production.[18] GPA has also changed the projection basis for calculating estimated fuel costs from the

[12] GPA Docket 26-12, Order, dated May 5, 2026.
[13] Id. at p.4.
[14] MCG Report, GPA Docket 26-13, at p. 2.
[15] Id. at p. 3.
[16] Id. at pgs. 3-4.
[17] Id. at p. 1.
[18] Id. at p. 4.

Morgan Stanley(MS) market rate to the Mean of Platts Singapore (MOPS) market rates: "GPA believes that MOPS rates provide a more accurate forecast since the main fuel supplier uses the MOPS rates when invoicing GPA for their fuel purchases."[19]

CONCLUSION

The PUC concludes that it should approve GPA's Petition to increase the current secondary Levelized Energy Adjustment Clause (LEAC) factor from $0.135840/ kWh to $0.194150/kWh for meters read on or after July 1, 2026, through January 31, 2027. From a historical perspective, the proposed LEAC factor of $0.194150/kWh is lower than the LEAC factor for the entire period of April 1, 2022, through February 1, 2025. In that period, the LEAC factor ranged from $.208802/kWh to $.318576/kWh. See Exhibit C attached to the ALJ Report, LEAC Updates--Historical LEAC Over/Under Recovery and Historical Residential LEAC Rate.[20] GPA has done all that it can for ratepayers to reduce the amount of the increase in the LEAC factor for the upcoming LEAC period.

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 June 25, 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:

[19] Id. at p. 3.
[20] GPA Petition, GPA Docket 26-03, dated December 5, 2025, Leac Updates-Historical LEAC Over/Under Recovery and Historical Residential LEAC Rate.

1. The secondary Fuel Recovery Factor of $0.194150/kWh shall be effective for meters read on or after July 1, 2026, through January 31, 2027.

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

LEAC	
Delivery Classification	$ per kWh
Secondary -	$0.194150/kWh
Primary - 13.8 KV	$0.187624/kWh
Primary - 34.5 KV	$0.187014/kWh
Transmission - 115 KV	$0.184412/kWh

For the entire LEAC period, these changes represent a 42.9% increase in the LEAC Factor for a residential customer utilizing an average of 1,000 kilowatt hours per month, and a 22.40% increase in the total bill.

3. GPA should file for a change in the LEAC factors to be effective February 1, 2027, on or before December 15, 2026.

4. In this proceeding, both GPA and MCG changed the projection basis for calculating estimated fuel costs for the LEAC rates from the Morgan Stanley (MS) market rate to the Mean of Platts Singapore (MOPS) market rates. However, MCG recommends that the Morgan Stanley market rates continue to be utilized in future LEAC proceedings to calculate estimated fuel costs for the LEAC rates. The PUC adopts this MCG recommendation.

5. As recommended by MCG in its Report, in future LEAC Petitions, GPA shall present a subtotal of fuel consumption and power production of all Ukudu generation. GPA shall work with Guam Ukudu Power LLC to review data on barrels of fuel burned versus actual plant output to determine actual trend lines for plant operation.

6. 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.

7. 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 25th day of June 2026.

Jeffrey C. Johnson
Chairman

Joseph M. McDonald
Commissioner

Peter Montinola
Commissioner

Michael A. Pangelinan
Commissioner

Doris Flores Brooks
Commissioner