PUBLIC UTILITIES COMMISSION
RECEIVED
DATE: 9/11/26
TIME: 4:41pm

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

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

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

[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. Submitted with this Report is the Affidavit of John Kim, Chief Financial Officer of the Guam Power Authority.

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, the LEAC Under-Recovery is estimated to be over $60 Million by January 31, 2027.[4] 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.

ANALYSIS

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.[5] The PUC has the power to examine GPA's rates and to examine its financial condition at any time.[6] GPA Schedule "Z", the Levelized Energy

[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 hereto, Guam Power Authority Proposed LEAC Rate, Update as of 09/08/2026.
[5] 12 GCA §12105(c) and (e)
[6] 12 GCA §12106(a)(5) and (b)

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."**[7] (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 that mid-term LEAC Factor Corrections were within the discretion of the PUC.[8] A copy of the Order is attached hereto as Exhibit "B".

II. THE PUC HAS THREE VIABLE 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."[9] 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 $0.347104/kWh on customer bills.** This would result in a $152.95 increase in the average customer monthly bill and a total monthly bill of $471.63. There would be an over fifteen (15) cent increase in the customer charge per kWh. Such an increase would be unreasonable and excessive.

[7] Guam Power Authority Schedule "Z", Levelized Energy Adjustment Clause (LEAC), effective with meters read on and after April 01, 2012.
[8] PUC Order, GPA Docket 22-05, PUC Review of the Levelized Energy Adjustment Clause (LEAC) Factor Pursuant to Tariff Z, dated March 31, 2022.
[9] See Exhibit A attached hereto, Guam Power Authority Proposed LEAC Rate, Update as of 09/08/2026.

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 $27 Million by January 31, 2027. That is the Under-Recovery level that the PUC hoped to achieve when the PUC issued its prior LEAC Order on June 25, 2026.[10] Such an Under-Recovery balance is more practical and manageable than an Under-Recovery of $60 Million. A $60 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 load shedding.

The PUC should not raise the LEAC for the average customer in an amount less than $0.088558 per kWh. Any lesser increase would raise the Under-Recovery balance to more than $27 Million at the end of this LEAC period. The Under-Recovery balance has already increased by more than $8 million in less than two months. As will subsequently be discussed, it is likely that the Under-Recovery balance will increase even higher than $60M due to rising fuel costs over the next few months.

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 $60 Million. That Under-Recovery level is

[10] PUC Order, GPA Docket 26-13, dated June 25, 2026, at pgs. 3-4.

unacceptable. Such a level is higher than the previous highest Under-Recovery level, approximately $47 Million. 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 $27 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.

There has been a substantial increase in diesel fuel prices since May of this year. When GPA filed its Petition in this Docket in June of 2026, the average price per Bbl-Diesel was $142.15.[11] The Update filed by GPA on August 29, 2026, indicates that the average price per Bbl-Diesel had risen to $157.65.[12] As is standard PUC practice, GPA has now updated average diesel fuel prices per Bbl as of September 8, 2026, for the five day period ten days before the PUC meeting on September 17.[13] The updated average price per Bbl-Diesel is now $161.75. Since the PUC last set the LEAC Factor in this Docket, fuel prices have risen about $20 per Bbl.

GPA's LEAC UPDATE AND STRATEGY DISCUSSION, dated September 2026, indicates that the actual price for diesel/Bbl. in September 2026 is expected to rise to $168.00 ("FUEL OIL PRICES CONTINUE TO BE ABNORMALLY HIGH; NO END IN IRAN WAR").[14]

[11] Guam Power Authority Proposed LEAC Rate, Update as of 05/18/2026.
[12] Guam Power Authority Proposed LEAC Rate, Update as of 08/29/2026.
[13] See Exhibit A attached hereto, Guam Power Authority Proposed LEAC Rate, Update as of 09/08/2026.
[14] GPA's LEAC UPDATE AND STRATEGY DISCUSSION, dated September 2026, p. 5.

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. 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.[15] When GPA will have access to a Line of Credit, or 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 incurring of additional debt by GPA to pay for fuel is not an ideal or preferred solution. 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.

IV. THE MARIANAS CONSULTING GROUP REPORT

MCG submitted its Report to the PUC on September 10, 2026.[16] MCG estimates that **the LEAC cost under-recovery is estimated to be $52 million by October 1, 2026.**[17] If MCG is correct, that will be the highest under-recovery balance in GPA history. MCG's summary results are slightly higher than those of GPA. MCG indicates that the Under recovery as of February 1, 2027, if there is no rate change, will be $64,640 million. To maintain a LEAC rate for a $27 million under recovery by February 1, 2027, PUC would have to set a rate of $0.283880 per kWh. For the Full Recovery by February 1, 2027, the PUC would set a rate of $0.348277 per kWh.[18]

[15] PUC Order, GPA Docket 26-12, dated May 5, 2026.
[16] Marianas Consulting Group, Public Utilities Commission (PUC) Review of the Levelized Energy Adjustment Clause (LEAC) Factor, dated September 10, 2026.
[17] Id. at p. 1.
[18] Id. at p. 2.

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 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."[19]

RECOMMENDATION

For the reasons stated in this Report, the Administrative Law Judge concludes that the PUC should increase the current secondary Levelized Energy Adjustment Clause (LEAC) Factor from $0.194150/kWh to $0.282708 for meters read on or after October 1, 2026, through January 31, 2027.

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

Dated this 11th day of September 2026.

Frederick J. Horecky
Frederick J. Horecky
Chief Administrative Law Judge

[19] Id.