

7. The CCU has authorized GPA to petition the PUC for approval to issue bids to procure Residual Fuel Oil No. 6.⁷
8. PUC Counsel filed his Report herein on July 25, 2012.⁸

DETERMINATIONS

9. In accordance with the Contract Review Protocol, "GPA is required to seek prior PUC approval for any contract which exceeds \$1.5M before the procurement process is begun..."⁹
10. Petrobras submits that numerous factors, including natural disasters in Japan, have caused a spike in the oil consumption and resulted in the reduction of the availability of fuel oil.¹⁰
11. Petrobras states that, since the premiums on fuel supply have been rising, it is now more costly for Petrobras to blend the cargos to deliver to GPA.¹¹
12. Petrobras proposed that GPA could adopt new fuel quality specifications to assist it in reducing the blending cost for future supplies. Such options involve reducing the specifications for gravity, viscosity, and vanadium content of fuel oil.¹²
13. GPA solicited the services of its Program Management Office, RW Armstrong (RWA) to evaluate the feasibility of changing certain quality parameter limits to optimize the fuel specifications without compromising power plant and logistical operations.¹³
14. In its Report, RWA determined the new fuel quality specifications could be adopted for all of the baseload plants with minimal impact; however, GPA may be required to negotiate changes in the fuel specifications with the existing performance management contractors. Certain other changes may also involve costs.¹⁴

⁷ Id. at p. 2.

⁸ PUC Counsel Report, GPA Docket 12-09, filed July 25, 2012.

⁹ Contract Review Protocol for Guam Power Authority, Administrative Docket dated February 15, 2008.

¹⁰ Petrobras Presentation, Exhibit "A" CCU Resolution No. 2012-42, dated May 2012.

¹¹ Id.

¹² Id.

¹³ CCU Resolution No. 2012-42, adopted July 10, 2012, at p. 1.

¹⁴ Exhibit "B" to CCU Resolution No. 2012-42, adopted July 10, 2012.

15. Based upon the foregoing analysis, it is prudent for GPA to issue a procurement for RFO. GPA anticipates that the reduction of restrictions in the fuel quality specifications will increase bidder participation, yield more competitive price offers, and thereby reduce fuel costs for GPA customers.¹⁵
16. GPA has submitted a Draft Bid Specification for GPA-068-12, Supply of Residual Fuel Oil No. 6.¹⁶ The proposed Bid should encourage more bidder participation, as under the bid, bidders will be able to select different options for fuel specifications in their fuel bids as outlined in Tables 1, 2, and 3.
17. The proposed bid/contract appears to protect the interests of GPA and Ratepayers. All risk of loss, cost and liabilities prior to the time of passage of title of the fuel oil to GPA is upon the contractor/bidder.¹⁷
18. There also other protections for GPA, including a substantial performance and payment bond requirement. The successful bidder must deliver to GPA an executed performance and payment bond in an amount at least equal to fifteen percent (15%) of the annual cost of the accepted total bid amount as security for the performance of the contract.¹⁸
19. GPA has a clear need for Residual Fuel Oil No. 6 for the Baseload Power Plants. Such fuel is essential to the operation of the Cabras Power Plants; the contract for such fuel is reasonable, prudent and necessary.

ORDERING PROVISIONS

Upon consideration of the record herein, the Petition of GPA, the PUC Legal Counsel Report, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby **ORDERS** that:

1. The July 13, 2012 Petition of GPA for Approval of the Procurement of Residual Fuel Oil No. 6 for the Baseload Generating Plants is hereby approved.

¹⁵ CCU Resolution No. 2012-42, adopted July 10, 2012, at p. 1.

¹⁶ Exhibit "C", to CCU Resolution No. 2012-42, adopted July 10, 2012, IFB GPA-068-12.

¹⁷ Id. at p. 55.

¹⁸ Id. at p. 14.

2. GPA has demonstrated a clear need for Residual Fuel Oil No. 6 for the Baseload Power Plants, as such fuel is essential to the operation of the plants. It is reasonable, prudent and necessary for GPA to proceed with the procurement for the supply of such residual fuel oil.
3. Once a final contract for supply of residual fuel oil has been negotiated, GPA should submit such contract to the PUC for final review and approval.
4. 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 §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 30th day of July, 2012.

Jeffrey C. Johnson
Chairman

Rowena E. Perez
Commissioner

Joseph M. McDonald
Commissioner

Michael A. Pangelinan
Commissioner

Filomena M. Cantoria
Commissioner