

ANALYSIS

6. Diesel Fuel Oil is utilized at various GPA Diesel-fired power plants to provide the necessary generation capacity, during planned/unplanned shutdowns of GPA's Baseload Units, in order to provide a stable and uninterrupted supply of electricity to meet the island wide utility power demand.⁶
7. Authorization for the extension of these diesel supply contracts will provide GPA with a continuous supply of fuel to the power plants necessary to implement the Authority's electric power generation capacity.⁷
8. GPA considered the option of going out to bid on a new solicitation for diesel fuel, rather than extending the two contracts for additional two year terms.
9. However, GPA concluded that a new solicitation would yield increased premium fees due to rising costs in the delivery of the services, resulting in increased bid offers and contract costs.⁸
10. IP&E complied with its contractual obligations to the satisfaction of GPA during the first two years of the contracts; in addition, an Amendment of the Contract reduced the annual contract cost for the Tenjo Vista plant in the amount of \$324,800 per year. The two year savings for the extension period will be \$649,600.⁹
11. Part of the savings to GPA which resulted from this Amendment reduced the premium fee for the delivery of diesel fuel to Tenjo Vista Plant by \$0.109 per gallon (due to the conversion to Ultra Low Sulfur Diesel).¹⁰
12. Public Law 30-184, enacted August 28, 2010, requires that all diesel fuel imported to Guam for the purpose of sale and distribution in Guam shall meet US EPA Standards for *Ultra-low Sulfur Diesel Fuel*. Said fuel is that which contains 15 parts per million (15ppm) or less of sulfur content.¹¹

⁶ Id. at p. 4 of 8.

⁷ Id.

⁸ Id. at p. 5 of 8.

⁹ Id. at p. 5 of 8.

¹⁰ Id. at p. 1 of 8.

¹¹ Public Law 30-184, enacted August 28, 2010.

RECOMMENDATION

13. Counsel recommends that GPA's request for approval to exercise extension options under its two Diesel Fuel Supply Contracts with IP&E Guam, for the period of December 1, 2012 to November 30, 2014, be approved.
14. GPA has provided a sufficient justification to extend the existing diesel fuel supply contracts with IP&E on the grounds that the extensions are reasonable, prudent and necessary.
15. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 10nd day of July, 2012.

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PUC Legal Counsel