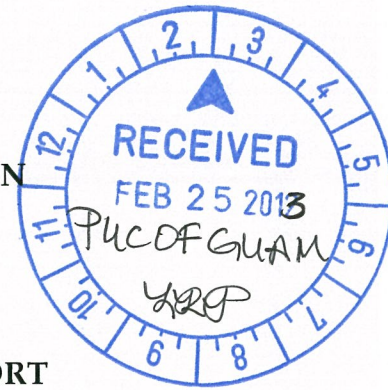


BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:)
) GPA Docket 11-12
)
)
 Guam Power Authority's Petition for)
 Contract Review of Renewable Energy) **PUC COUNSEL REPORT**
 Acquisition Pursuant to GPA's Integrated)
 Resource Plan)
)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Filing by GPA of Renewable Energy Purchase Agreements for Wind and Solar Projects with Pacific Green Resources, LLC.¹
2. GPA's Filing includes the following documents:
 - (1) Pacific Green Resources Renewable Contract Summary;
 - (2) PUC Order GPA Docket 11-12, 12/19/11;
 - (3) Pacific Green Resources Acceptance Letter;
 - (4) System Impact Study;
 - (5) Renewable Energy Purchase Agreement excluding Interconnection Agreement (Wind), 2/01/13;
 - (6) Renewable Energy Purchase Agreement (Solar) excluding Interconnection Agreement, 2/01/13;
 - (7) Small Generator Interconnection Agreement as Appendix J to both Wind and Solar PPAs, 2/01/13.²

BACKGROUND

3. On November 19, 2011, the PUC approved the selection of Pacific Green Resources LLC ["PGR"] and award for a 14.39 MW Wind/Solar Project, and authorized GPA to enter into a contract with PGR.³

¹ GPA Filing, GPA Docket 11-12, Renewable Energy Purchase Agreement with Pacific Green Resources, LLC, filed February 1, 2013.

² Id.

³ PUC Order, GPA Docket 11-12, at pgs. 1-2, issued December 19, 2011.

4. PUC approval for GPA to enter into the PGR contracts was subject to two conditions: (1) completion of an evaluation by GPA of the projects in the System Impact Study performed by R.W. Beck; and (2) acceptance by PGR of the System Impact Study terms and conditions.⁴
5. On June 11, 2012, the PUC approved the Renewable Energy Purchase Agreement between Quantum Guam Power LLC and GPA.⁵

DISCUSSION

6. GPA has completed and submitted the Renewable IFB System Impact Study, prepared by R.W. Beck, as required by the December 19, 2011 Order.⁶
7. The findings of that study on the system impacts of the renewable energy projects were detailed in the PUC Counsel Report submitted to the Commission on May 29, 2012.⁷ Essentially, the System Impact Study found that renewable energy projects involving Quantum and PGR could feasibly be implemented without a detrimental impact on the system, assuming appropriate steps were taken.⁸
8. By letter dated February 1, 2013, Pacific Green Resources LLC accepted the conclusions and conditions of the Renewable System Impact Study (IR01 & IR02 Evaluation) dated May, 2012, prepared by R.W. Beck. Furthermore, PGR has approved the Small Generator Interconnection Agreement between itself and GPA, which specifically sets forth the agreements and understandings regarding interconnection and the payment of costs by PGR for such arrangements.⁹
9. GPA and PGR have utilized very similar contract agreements as to those previously approved by the PUC between GPA and Quantum. However, there are certain

⁴ Id. at p. 4; See also letter from General Manager Joaquin Flores to ALJ Horecky dated May 31, 2012 [re: Quantum Guam Power Renewable Contract document submittal], filed May 21, 2012.

⁵ PUC Order, GPA Docket 11-12 issued June 11, 2012, at p. 2.

⁶ GPA Filing, GPA Docket 11-12, filed May 21, 2012.

⁷ PUC Counsel Report, GPA Docket 11-12, dated May 29, 2012.

⁸ Id.

⁹ Letter from PGR to Guam Power Authority dated February 1, 2013; Small Generator Interconnection Agreement between Guam Power Authority and PGR.

differences. For PGR, separate Renewable Energy Purchase Agreements are proposed for Wind and Solar performance.¹⁰

10. The reason that the parties have proposed two contracts, and separated the wind/solar performance, are the possibility of future assignment of the PGR contracts. There appears to be at least some possibility that PGR could assign performance of the solar project to the other renewable energy contractor, Quantum Guam Power ("QGP").¹¹
11. In the contracts, the parties have increased the project capacity to fairly distribute interconnection and network upgrade costs as identified in the System Impact Study.¹² The proposed contracts will increase the original capacity of 14.39 MW to 15 MW in order to fairly distribute costs to PGR based on the System Impact Study and the QGP contract documents, as the facility output was rounded up in the System Impact Study for ease in performing analyses.¹³ The PGR wind project will now be 9.35 MW, and the solar project will be 5.65 MW.¹⁴
12. In addition, the proposed PGR-GPA Renewable Energy Purchase Agreements for the wind/solar projects also include certain provisions which were recently approved by the PUC for the Quantum contract with GPA (Amendment No. 1). These provisions allow for a Seller Affiliate to meet contract obligations, additional production limits and price, and clarification on insurance requirements.¹⁵ Since these same provisions were approved by the PUC for the Quantum Purchase Agreement¹⁶, inclusion of the same provisions in the PGR Agreements is reasonable.
13. A considerable amount of work and negotiation has clearly gone into the Wind/Solar Renewable Energy Purchase Agreements between GPA and PGR. Seller will construct a solar facility capable of producing a maximum of 5.65 MW for a period of 25 contract years. The contract provides for an estimated Annual

¹⁰ Letter from GPA General Manager Joaquin Flores to ALJ Fred Horecky dated February 1, 2013 Re: Pacific Green Resources Renewable Contract Documents Submittal.

¹¹ Discussion between GPA Counsel Graham Botha and PUC Counsel Fred Horecky on February 21, 2013.

¹² Letter from GPA General Manager Joaquin Flores to ALJ Fred Horecky dated February 1, 2013 Re: Pacific Green Resources Renewable Contract Documents Submittal, at pg. 1.

¹³ Id. at p. 2.

¹⁴ Id.

¹⁵ Id. at p. 1.

¹⁶ PUC Order, GPA Docket 11-12, dated January 29, 2013.

Renewable Energy Minimum Production amount of 11,442 MWh in the first contract year decreasing to 10,145 MWh Minimum Production in the 25th year. There are also provisions for additional production.¹⁷ At present, the “Commercial Operation” date is 24 months from the effective date of the Agreement.¹⁸

14. Seller will bear the cost for construction of the solar facility. The facility will remain the property of Seller unless a sale is agreed to by the parties in accordance with the contract. The contract provides for strict performance guarantees and penalties in the event that Seller does not meet the minimum energy production requirements. GPA purchases the power from Seller at a fixed price. The Contract price per megawatt hour varies from \$192.35 in year one to \$247.60 in year 25.¹⁹
15. Seller will also construct a wind project facility capable of producing 9.35 MW. The project will produce an estimated annual renewable minimum production of 18,988 MWh in the first contract year and for each year thereafter for a 20 year period.²⁰ At present, the Commercial Operation date is 36 months from the effective date of the agreement.²¹
16. Seller will bear the cost for construction of the wind facility. The facility will remain the property of Seller unless a sale is agreed to by the parties in accordance with the contract. The contract provides for strict performance guarantees and penalties in the event that Seller does not meet the minimum energy production requirements. GPA purchases the power from Seller at a fixed price. The contract price per megawatt hour varies from \$216.50 per MWh in year one to \$287.28 per MWh in year 25.²²
17. The Solar and Wind Agreements negotiated between the parties appear to be well thought out and detailed statements and descriptions of the relationship between the parties and the services to be performed. GPA has the authority to enter into contracts under its governing statutes, assuming that a contract is prudent and reasonable (which these contracts appear to be).

¹⁷ Solar Renewable Energy Purchase Agreement between PGR and GPA, pg. 11 and Appendix A and Appendix A-1.

¹⁸ Id. at p. 15.

¹⁹ Id., Appendix A.

²⁰ Wind Renewable Energy Purchase Agreement between PGR and GPA, Article Two and Appendix A.

²¹ Id. at Article Four.

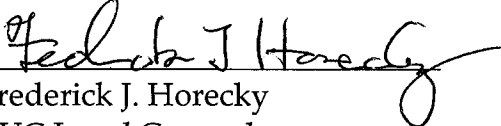
²² Id., Appendix A.

18. GPA has been mandated by the Guam Legislature to meet and comply with certain renewable portfolio standards. Solar and wind projects with PGR herein are a good faith effort by GPA to comply with the statutory mandate.

RECOMMENDATION

19. Counsel recommends that the PUC find that Pacific Green Resources LLC has accepted all terms and conditions of the System Impact Study, as well as its costs responsibility for the interconnection upgrades required to implement its projects.
20. Counsel further recommends that the PUC determine that the requirements for contract approval set forth in the PUC December 19, 2011 Order have been satisfied.
21. The PUC should approve the Solar and Wind Renewable Energy Purchase Agreements between Pacific Green Resources LLC and the other agreements proposed by the parties.
22. A proposed order is submitted herewith for the consideration of the Commissioners.

Dated this 22nd day of February, 2013.



Frederick J. Horecky
PUC Legal Counsel