

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF:	)	
	)	GPA DOCKET 13-03
	)	
GUAM POWER AUTHORITY'S	)	
REQUEST TO FINANCE	)	ORDER
MAINTENANCE WORK AT CABRAS	)	
#1 AND TO USE 1999 BOND FUNDS	)	
FOR CAPITAL PROJECTS	)	
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**INTRODUCTION**

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of Guam Power Authority ["GPA"] for Contract Review of GPA's Request to Finance Maintenance Work at Cabras #1 and to Use 1999 Bond Funds for Capital Projects.<sup>1</sup>

**BACKGROUND**

2. In its Petition, GPA is seeking PUC approval for two projects: (1) a major overhaul of the Cabras #1 plant scheduled for May 2013, which will cost \$1.4M, to be financed by TEMES; and (2) the undertaking of capital projects to be conducted at the same time as the overhaul, to replace superheater tubes, reheater tubes, and traveling screens (which would be paid for from 1999 Bond Funds).<sup>2</sup>
3. For the Cabras #1 Overhaul, GPA proposes to enter into a financing agreement with TEMES in the amount of \$1.4M at 5% annual interest rate for a period of 24 months. The installation of the superheater tubes, reheater tubes, and traveling screens will cost \$2.990M; GPA requests that it be authorized to use 1999 Bond Funds for this project.<sup>3</sup>
4. A detailed listing of the projects involved for both the overhaul and the capital improvement projects is attached to the PUC Counsel Report issued herein as Exhibit "1".
5. On December 12, 2012, the Guam Consolidated Commission on Utilities adopted Resolution No. 2012-82, which found that the major Cabras overhaul was necessary and authorized GPA to seek approval from the PUC to finance the major operations and overhaul work, and to use 1999 Series Bond Funds for Capital Projects at Cabras #1.<sup>4</sup>
6. PUC Legal Counsel issued his Report herein on April 23, 2013.<sup>5</sup>

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<sup>1</sup> GPA Petition for Contract Review of GPA's Request to Finance Maintenance Work at Cabras #1 and to Use 1999 Bond Funds for Capital Projects, filed March 26, 2013.

<sup>2</sup> Id. at p. 1.

<sup>3</sup> Id. at p. 1.

<sup>4</sup> CCU Resolution No. 2012-82, adopted December 12, 2012.

<sup>5</sup> PUC Counsel Report, GPA Docket 13-03, issued April 23, 2013.

### DETERMINATIONS

7. The last major overhaul of Cabras Unit #1 was in July 2011; the unit has been in operation for 16 months without any major overhaul and will be running for 23 months before the scheduled overhaul.<sup>6</sup>
8. Major projects for the overhaul include refurbishment of the air heater rotors and pin racks.<sup>7</sup> Replacements of the rotor and pin racks on each of the two air preheaters on Cabras #1 should help to maintain the reliability, availability and efficiency of the boiler.<sup>8</sup>
9. Included in the overhaul is the replacement of the current metal Circulating Water Pump discharge pipes with non-metallic material (HDPE). The project should promote the reliability and availability of the unit by improving the condition of the circulating water system.<sup>9</sup>
10. For the overhaul work, the cost-benefit analyses indicate that the expenditures for the overhaul projects are justified and cost effective.<sup>10</sup>
11. The Overhaul projects are reasonable, prudent and necessary.
12. There are three major necessary capital improvement projects proposed: Unit #1 CWP Traveling Screen Assembly Replacement, Boiler Reheater Tube Replacement, and Secondary Super Heater (SSH) Tube Replacement. The cost of these three projects is \$2.9M. GPA proposes to finance such projects through the 1999 Bond Funds.
13. For each of the three CIP projects, GPA has provided detailed justifications and cost-benefit analyses. These improvements should all help to improve the overall unit efficiency of Cabras #1, and should also improve the unit's Equivalent Availability and reduce the Equivalent Forced Outage Rate on the unit.<sup>11</sup>
14. The cost benefit justifications provided by GPA also establish that the proposed capital improvement projects are reasonable, prudent and necessary.

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<sup>6</sup> Id. at p. 1.

<sup>7</sup> Id.

<sup>8</sup> Attachment-1 to Petition for Contract Review: Air Preheater 1A & 1B Rotor Refurbishment (2013 Major Maintenance).

<sup>9</sup> Attachment-2 to the Petition for Contract Review: Cabras Units 1 & 2 Circulating Water Pump Discharge Piping Replacement with Non-Metallic (HDPE) material 2013 Major Maintenance.

<sup>10</sup> Id. at Attachments-1&2.

<sup>11</sup> Attachment -4 to the Petition for Contract Review: Cabras Unit #1 Reheater Tube Replacement (2013 Capital Improvement Project).

15. GPA proposes to finance the Cabras Overhaul through a financing agreement with TEMES for \$1,400,000 at 5% annual interest rate for a period of 24 months. Such a financing vehicle is well established. GPA has often financed the construction of plant improvements through its Performance Management Contractors. The borrowing of such construction funds at a reasonable interest rate conserves GPA's financial resources and improves its liquidity.
16. GPA also asks that PUC approve the use of 1999 Bond Funds in the amount of \$2.9M for the capital improvement projects. In GPA's Response to PUC Requests for Information,<sup>12</sup> GPA has demonstrated that it has a Construction Fund Balance from the 1999 Bonds available in the amount of \$3.486M. Thus, there are sufficient bond funds available for the completion of the CIP projects listed in the instant petition.
17. There is legal authority for the PUC to approve the use of such bond funds for the projects requested. Public Law 25-04 Section 4(c) set forth the terms and conditions for the approval of the issuance of GPA revenue bonds [the 1999 bonds]. Therein, one of the specifically approved projects for the use of such bonds is the "Cabras Refurbishment Project." "Cabras Miscellaneous" is furthermore an approved project category for the expenditure of the 1999 bonds.
18. The authorization requested by GPA herein would appear to fall within the categories of Cabras Refurbishment and Cabras Miscellaneous expenditures. Cabras Refurbishment is an appropriate use for the expenditure of such funds.

### ORDERING PROVISIONS

Upon consideration of the record herein, the GPA Petition for Approval of GPA's Request to Finance Maintenance Work at Cabras #1 and to Use 1999 Bond Funds for Capital Projects, and the PUC Counsel Report, for good cause shown and on motion duly made, seconded and unanimously carried by the undersigned Commissioners the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA is hereby authorized to proceed with the scheduled Cabras #1 major overhaul scheduled for May 2013.
2. GPA is authorized to expend the sum of \$1.4M for the Cabras Overhaul.
3. GPA may finance the Cabras Overhaul through a financing agreement with TEMES in the amount of \$1.4M at an annual interest rate of 5% over 24 months.
4. GPA is authorized to undertake the capital projects set forth in its Petition, including the replacement of superheater tubes, reheater tubes and traveling screens.

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<sup>12</sup> GPA's Response to PUC Requests for Information, GPA Docket 13-03, filed April 22, 2013.


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GPA Overhaul and Maintenance  
at Cabras #1 and Use of 1999 Bond Funds  
GPA Docket 13-03  
April 30, 2013

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5. GPA is authorized to expend the amount of \$2.990M for the capital projects indicated in the Petition, and to use 1999 Bond fund proceeds for the funding of such projects.
6. 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 April, 2013.

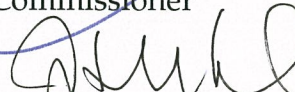
  
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Chairman

  
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Commissioner

  
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