

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

GPA DOCKET 13-05

GUAM POWER AUTHORITY'S
REQUEST TO PROCURE EQUIPMENT
FOR DIESEL RICE MACT
COMPLIANCE AND TO APPROVE
ENVIRONMENTAL PROGRAM
PROJECT FOR DIESEL UNITS

PUC COUNSEL REPORT

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon Guam Power Authority's ["GPA"] Petition for Approval of Procurement of Equipment for Diesel RICE MACT Compliance and for approval of Environmental Program Project for Diesel Units.¹

BACKGROUND

2. GPA currently operates and maintains 10 diesel peaking units, located at the Tenjo, Talofoto and Manenggon power plants, where power is generated by reciprocating internal combustion engines (RICE) which burn diesel fuel.²
3. GPA asserts that these diesel engines are subject to U.S. EPA RICE MACT rules, which require compliance with emissions standards by May 3, 2013.³
4. The RICE MACT standards are applicable to medium speed diesel units located at Talofoto Diesel Plant (2), Manenggon Diesel Plant (2), and the Tenjo Vista Power Plant (6) (the Dededo Diesel Plant (4) are not included within GPA's request).⁴
5. The RICE MACT standards call for a significant reduction of carbon monoxide (CO) emissions.⁵ The standards require all Diesel Engines greater than 500 hp to emit less than 23 ppm Carbon Monoxide.⁶
6. The required compliance date is May 3, 2013; GPA is expected to add Oxidation Catalysts to the exhaust streams.⁷

¹ GPA Petition for Contract Review of Request to Procure Equipment for Diesel RICE MACT Compliance and to Approve Environmental Program Project for Diesel Units, GPA Docket 13-05, filed May 17, 2013.

² Id. at p. 1.

³ Id.

⁴ GPA's Integrated Resource Plant (IRP) GPA Docket 13-02, filed February 25, 2013, at p. 5-4.

⁵ Id.

⁶ Id., Environmental Strategic Plan (ESP) Addenda February 2013, at p. 4.

7. GPA has obtained a one-year extension from the U.S. EPA for compliance with the RICE MACT rules until May 3, 2014.⁸
8. TRC Environmental Corporation (TRC) was hired by GPA to design the installation of oxygen catalysts, smoke stacks and maximum achievable control technology (MACT) to comply with the U.S. EPA requirements.⁹
9. GPA has also commissioned TRC to negotiate with catalyst and smoke stack vendors to provide the required equipment and materials.¹⁰ TRC prepared a bid package, including equipment specifications and site drawings, and requested proposals from four potential vendors. Three proposals were received, and TRC recommended that the necessary equipment be procured from Miratech.¹¹
10. TRC's recommendation that Miratech be selected was based upon certain factors, including the dimensions of Miratech's equipment, the delivery time for the units, and Miratech's length of catalyst warranty.¹²
11. The approximate cost of the catalysts and smoke stacks for the ten diesel peaking units is \$1,495,000.00; GPA believes that the additional costs to modify existing structures and civil works are expected to be approximately \$4M.¹³
12. In Resolution No. 2013-28, the CCU approved the procurement of equipment for Diesel RICE MACT compliance and authorized GPA to petition the PUC for approval of its Environmental Program Project.
13. GPA seeks expedited review and approval of its Environmental Compliance Program so that it can comply with the U.S. EPA Diesel RICE MACT standards.

⁷ Id.

⁸ GPA Petition for Contract Review of Request to Procure Equipment for Diesel RICE MACT Compliance and to Approve Environmental Program Project for Diesel Units, GPA Docket 13-05, filed May 17, 2013, at p. 1.

⁹ Id.

¹⁰ Consolidated Commission on Utilities Resolution No. 2013-28, Resolution to Procure Equipment for Diesel RICE MACT Compliance and to Petition PUC to Approve Environmental Program Project, issued May 15, 2013.

¹¹ Id. at p. 1; See also TRC Report Re: Equipment Bid Evaluation-Diesel Oxidation Catalyst Retrofits (Guam Power Authority Tenjo, Talofoto, and Manenggon Generation Stations, TRC Project No. 196140), dated May 14, 2013 and attached to GPA's Petition for Contract Review in this Docket.

¹² Id. at p. 2.

¹³ GPA Petition for Contract Review of Request to Procure Equipment for Diesel RICE MACT Compliance and to Approve Environmental Program Project for Diesel Units, filed May 17, 2013, at p. 2.

ANALYSIS

14. In its Letter Opinion, Lummus Consultants concluded that GPA has limited options for meeting the RICE MACT standards for the diesel peaking units.¹⁴
15. While retirement of the diesel peaking units could be an option, it is Lummus' understanding that the diesel units included in the Petition are important assets for maintaining reliability of the electrical system and therefore eliminate the retirement or long-term layup options. It is noteworthy that the diesel peaking units of Dededo are also affected by the RICE MACT, but GPA did not include those units in the petition (likely due to their low historical capacity factors).¹⁵
16. Lummus also concludes that the competitive evaluation conducted by TRC of alternative equipment suppliers do appropriately consider important factors such as delivered equipment costs, warranties, sound attenuation, pressure drop, and other factors.¹⁶
17. However, Lummus Consultants concluded that they could not opine on the reasonableness of the remaining \$4M to modify existing structures and civil works in order to complete the Environmental Program for the diesel peaking units, since details on this aspect of the Environmental Program have not been provided by GPA.
18. GPA has demonstrated a need to proceed expeditiously to obtain the necessary equipment for meeting the RICE MACT standard for the diesel peaking units. However, the details of the proposed remaining \$4M to modify existing structures has not been provided.
19. It would be premature for the PUC, at the present time, to rule upon or approve the prudence and reasonableness of the remaining \$4M expenditure for modification of existing structures and civil works.

¹⁴ Lummus Consultants Review of GPA Docket 13-05, filed May 23, 2013, at p. 2.

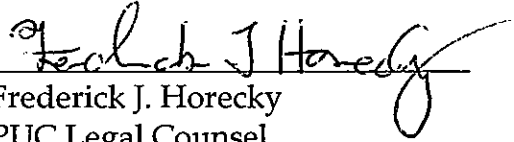
¹⁵ Id.

¹⁶ Id.

RECOMMENDATION

20. Counsel recommends that the PUC approve GPA's request to procure equipment for diesel RICE MACT compliance in the amount of \$1,495,000 for the purchase of the equipment.
21. However, GPA should provide details concerning the requested \$4M for modification of existing structures and civil works to bring the peaking units into compliance before the PUC takes further action on the matter.
22. An Order is submitted herewith for the consideration of the Commissioners.

Dated this 24th day of May, 2013.



Frederick J. Horecky
PUC Legal Counsel