



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:)
) GPA Docket 14-07
)
THE APPLICATION OF THE GUAM)
POWER AUTHORITY FOR APPROVING) **PUC COUNSEL REPORT**
THE CONTRACT WITH EAST WEST)
POWER GUAM FOR CABRAS 3&4 SMOKE)
STACK REFURBISHMENT)
_____)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Guam Power Authority's ["GPA"] Petition for approval of the Contract with East West Power Guam for Cabras 3&4 Smoke Stack Refurbishment.¹

BACKGROUND

2. GPA has contracted with its Performance Management Contractor for Cabras 3&4 for refurbishment of the smoke stacks at Cabras 3&4.²
3. GPA submits that the steel structure of the smoke stacks for these units, including bracings, steel plates (gusset, angle and stiffener), steel log bolts, and steel nuts, has deteriorated due to severe corrosion.³
4. GPA further submits that the repair of the existing steel structure is necessary to ensure the safety of personnel working on the structure and to prevent the existing structure from further deterioration. Failure of the structure would result in a shutdown of both Cabras 3 and Cabras 4 units and the loss of almost 80MW of generation.⁴

¹ GPA Petition for Contract Review, GPA Docket 14-07, filed March 14, 2014.

² Id. at p. 1.

³ Guam Consolidated Commission on Utilities Resolution No. 2014-12, adopted March 11, 2014, at p. 1.

⁴ Id. at p. 1.

5. GPA's PMC East West Power Guam solicited bids for the refurbishment of the Cabras 3&4 Smoke Stacks. Two bids were received, the low bidder being Triple "L" Construction, Inc., in the amount of \$2,898,250.00.⁵
6. The CCU, in Resolution No. 2014-12, has approved GPA's request to contract for the refurbishment of the smoke stacks for Cabras 3&4.⁶
7. GPA proposes that refurbishment of the smoke stack structure of Cabras 3&4 would be paid for utilizing 2010 Bond funds.⁷

ANALYSIS

8. GPA presents the case that the Cabras 3&4 units are critical baseload units for the Island Wide Power System due to their quick start-up capabilities and high efficiency. Failure of the steel structure would result in a shutdown of both units and a loss of almost 80MW of generation.⁸
9. GPA has submitted a justification in support of its request, "Cabras 3&4 Stack Structure Refurbishment."⁹ The main purpose of the Stack Structure Refurbishment is to eliminate safety hazards; it is alleged to be necessary to ensure the safety of personnel and to prevent the existing structure from further deterioration.¹⁰
10. GPA estimates that shutdown could result in lost revenues of \$5.3M.¹¹
11. Photographs attached to the Petition by GPA demonstrate there is substantial corrosion to the Steel Structure.¹² In addition, N.C. Macario & Associates, Inc., prepared a CONSTRUCTION COST ESTIMATE BREAKDOWN for the project.

⁵ GPA Petition for Contract Review, GPA Docket 14-07, filed March 14, 2014, at p. 1 PRICE OFFER of Triple "L" Construction, Inc.

⁶ CCU Resolution No. 2014-12, adopted March 11, 2014, at p. 2.

⁷ Id.

⁸ Id. at p. 1.

⁹ GPA Petition for Contract Review, GPA Docket 14-07, filed March 14, 2014, "Cabras 3&4 Stack Structure Refurbishment".

¹⁰ Id.

¹¹ Id. at p. 2.

¹² Id. at p. 4, "Cabras 3 & 4 Smoke Stack Steel Structure."

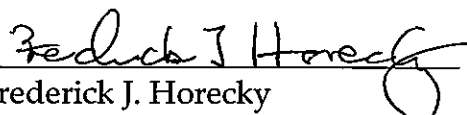
Such breakdown indicates that there will need to be substantial replacements of elements of the Steel Structure.¹³

12. Due to the need to prevent further deterioration of the smoke stacks, as well as the initial safety hazards presented to personnel, the most advisable course of action is for GPA to undertake the repairs.
13. Since the smoke stack repair and refurbishment will be paid for from bond funds, there should be no additional rate impact to GPA's ratepayers.

RECOMMENDATION

14. Counsel recommends that the PUC grant GPA's request for approval of the contract for the Cabras 3&4 smoke stack refurbishment.
15. GPA should be authorized to expend \$2,898,250.00 in bond funds for such purpose.
16. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 22nd day of March, 2014.



Frederick J. Horecky
PUC Legal Counsel

¹³ CONSTRUCTION COST ESTIMATED BREAKDOWN, GPA Docket 14-07, filed by GPA Counsel Graham Botha on March 19, 2014.