



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 14-11
)
The Application of the Guam Power Authority for Approving the Procurement of Phase II Renewable Acquisition for GPA.) PUC COUNSEL REPORT
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INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] for contract review and approval of GPA's Procurement of Phase II Renewable Acquisition.¹
2. GPA now requests that PUC approve the issuance of an Invitation for Bids ["IFB"] for the Phase II Renewable Acquisition. Attached to GPA's Petition are five Volumes relative to the IFB for Renewable Energy Resource Phase II Acquisition.

BACKGROUND

3. The PUC has been involved in the review of GPA's renewable resource acquisition plan for nearly six years. On December 29, 2008, the PUC approved GPA's Integrated Resource Plan, which included a proposal for "Phase I of GPA's Renewable Resource Acquisition."² GPA was authorized to procure up to 40MW of renewable energy sources, including technologies such as biomass, hydro, geothermal, solar, wind, ocean thermal, wave action and tidal action.³
4. On December 19, 2011, the PUC approved the renewable energy contract awards to Quantum Guam Power (20MW Solar Project) and Pacific Green Resources (9.34MW Wind and 5.04MW Solar) under Phase I of the Renewable Energy Acquisition.⁴
5. In its Integrated Resource Plan filed with the PUC on February 25, 2013, GPA clearly indicated that it planned to procure an additional 40MW of renewable energy resources under the Phase II Renewable Energy Acquisition Program, if

¹ GPA Petition for Contract Review of Renewable Acquisition, GPA Docket 14-11, filed June 12, 2014.

² PUC Order, In Matter of GPA Integrated Resource Plan, Docket 08-06, dated December 29, 2008.

³ Id. at p. 1.

⁴ PUC Order, GPA Docket 11-12, dated December 19, 2011.

cost-competitive with other available technologies, as early as 2017.⁵ GPA's 2013 IRP was "conditionally approved" on July 30, 2013.⁶

6. On May 20, 2014, the Guam Consolidated Commission on Utilities adopted Resolution No. 2014-19, which approved the submission to the PUC of the draft bid documents for the Phase II renewable acquisition.⁷ Therein the CCU approved the additional renewable resource acquisition of 40MW in Phase II, indicating that, in addition to the original technologies considered in Phase I, GPA would also consider biofuel as an alternative to energy delivered.⁸

PHASE II RENEWABLE RESOURCE ACQUISITION FOR 40MW

7. The following facts concerning the Phase II Renewable Resource Acquisition are obtained from Volumes 1 through 5 of the IFB. The Bid Schedule indicates that GPA intends to complete the Phase II renewables procurement and sign a contract with the selected bidder by June 12, 2015. The project must be commissioned within 60 months after the contract award.⁹
8. Only renewable energy projects will be accepted; there is a limit of 20MW per project and a minimum project capacity of 10MW. There will be annual minimum product quantity guarantees and an established energy price. The contractor will be responsible for interconnection delivery.
9. In its Petition, GPA has included a Draft Renewable Energy Purchase Agreement between GPA and the Contractor.
10. The Contractor is responsible for constructing the project facility. It is further responsible for the interconnection of that facility with the GPA grid. System upgrades for interconnection are at the cost of the Contractor.
11. The Contractor is required to provide to GPA Development Security and Post Development Security. If the contractor fails to complete the facility by the

⁵ Filing of GPA Integrated Resource Plan (IRP), GPA Docket 13-02, dated February 25, 2013, Executive Summary at p. ii.

⁶ PUC Order, GPA Docket 13-02, dated July 30, 2013.

⁷ CCU Resolution No. 2014-19, Relative to the Approval to Submit to the Public Utilities Commission the Draft Bid Documents Phase II Renewable Acquisition, adopted May 20, 2014.

⁸ Id. at p. 1.

⁹Id.

“commercial operation date”, GPA may, among other remedies, withhold such Security funds.

12. The Contractor is required to achieve milestones established in the contract and to produce an annual minimum production guarantee. There are agreed upon termination damages if the contract is terminated prior to the completion of the project. GPA also has protections under a Performance Bond which the Contractor must submit.
13. The parties will set a Commercial Operation Date for the project in the Contract. GPA will be required to purchase all of the renewable energy generated by the facility. However, by law, GPA may not purchase power produced or sold from alternative energy sources “at a cost greater than the average cost of producing power found in the island wide power system (not inclusive of backup diesel generators), specifically the two Cabras Units, the two Tanguisson Units, and the Piti Power Plant.”¹⁰
14. In addition, GPA cannot sign an alternative energy contract unless its Board of Directors certifies that “the price paid for electricity pursuant to the agreement does not exceed actual current avoided cost.”¹¹ GPA will also be responsible for maintenance and costs related to transmission after the delivery point. The Contractor will maintain and operate the solar facility.
15. If the Contractor wishes to sell the facility during the term of the agreement, it must engage in good faith discussion with GPA if GPA desires to purchase the facility.
16. GPA has the right to purchase the facility from the Seller at the termination of the Agreement. The purchase price for the facility is the original cost of the facility less depreciation. As is often the case with such procurements, GPA will undertake a two-step process. Under Step One, bids will be submitted and evaluated as to technical qualifications. Under Step Two, qualified bidders will submit price proposals, and GPA will award the contract to the Bidder evaluated as being qualified and with the best-priced bid.

¹⁰ 12 GCA §8306(2) & (3)

¹¹Id.

ANALYSIS

17. The PUC has been aware for nearly six years that GPA intended to undertake both Phase I and Phase II Renewable Energy Acquisition projects.
18. In the IRP submitted by GPA in 2008, it was understood by PUC that GPA intended to undertake a second phase associated with its renewable energy resource acquisition process. GPA's goal was to acquire a total of approximately 80MW of renewable energy resources.¹²
19. This Phase II renewable energy acquisition was also included in GPA's 2013 IRP. Thus, PUC has understood, and impliedly agreed, GPA could undertake a Phase II renewable energy acquisition.
20. Phase II renewable energy acquisition is also consistent with the intent of Public Law 29-92, which is to promote the development of renewable energy on Guam and for GPA to establish a renewable energy portfolio. There is a specific renewable portfolio standard of five (5) percent of net electricity sales by December 31, 2015.
21. The proposed agreement contains numerous provisions which seek to protect GPA and ratepayer interests in the event that the Contractor defaults in constructing the facility or otherwise fails to deliver renewable energy in accordance with the agreement. Other protections appear to be standard and commercially reasonable.

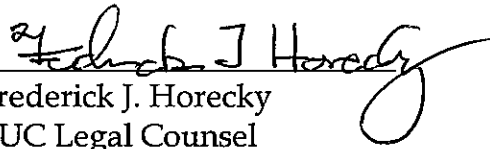
RECOMMENDATIONS

22. Counsel recommends that the PUC approve GPA's request to solicit competitive bids for up to 40MW of renewable energy in its Phase II Renewable Acquisition.
23. GPA should be required to present the final Phase II Renewable Energy Contracts to the PUC for review, so that the PUC can determine if the final price is reasonable.
24. A Proposed Order is submitted herewith for the consideration of the Commissioners.

¹² Georgetown Consulting Group, Docket No. 08-6, Petition for Contract Review of Renewable Energy Acquisition, dated April 18, 2009.

PUC Counsel Report
Procurement of Phase II
Renewable Acquisition
GPA Docket 14-11
June 20, 2014

Dated this 20th day of June, 2014.



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