

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF: ) GPA Docket 10-08
)
The Application of the Guam Power Authority Requesting Approval of the Performance Management Contract (PMC) for the Management, Operation and Maintenance of the GPA Fuel Farm Bulk Storage Facility. ) PUC COUNSEL REPORT

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 the two year contract extension of the Performance Management Contract (PMC) for the Management, Operation and Maintenance of the GPA Fuel Farm Bulk Storage Facility.1
2. Herein GPA requests that the Performance Management Contract with Vital Energy INC., which expires on May 31, 2015, be extended for the period from June 1, 2015 to May 31, 2017.2

BACKGROUND

- 3. On June 11, 2012, the PUC approved the Fuel Farm PMC Contract between GPA and Vital Energy Inc. for a base period of three years (June 1, 2012 - May 31, 2015).3
4. Since the PMC is now expiring on May 31, 2015, GPA wishes to extend the Contract for a new two year period.4 The Contract provides for a two year extension.
5. On March 24, 2015, the Guam Consolidated Commission on Utilities approved GPA's request to enter into a two year contract extension with Vital Energy Inc. for

1 GPA Petition Requesting Approval of the Performance Management Contract (PMC) for the Management, Operation and Maintenance of the GPA Fuel Farm Bulk Storage Facility, GPA Docket 10-08, filed April 3, 2015.
2 Id at p.1.
3 PUC Order, GPA Docket 10-08, dated June 11, 2012.
4 GPA Petition Requesting Approval of the Performance Management Contract (PMC) for the Management, Operation and Maintenance of the GPA Fuel Farm Bulk Storage Facility, GPA Docket 10-08, filed April 3, 2015, at p.1.

the Management, Operation, and Maintenance of the GPA Fuel Bulk Storage Facility.<sup>5</sup>

6. GPA submits that extension of the Contract for the two option years allows the uninterrupted operation of the facility, while providing GPA time to prepare for operational changes or capital investments at the facility related to the resource implementation plan.<sup>6</sup>
7. GPA further submits that the Fuel Farm PMC will contribute to the efficient operation of the Cabras Power Plants; the PMC is “reasonable, prudent, and necessary”.<sup>7</sup>

### ANALYSIS

8. GPA has demonstrated that, by entering into the two year contract extension for the Fuel Farm PMC, it will save \$23,254.12.<sup>8</sup>
9. In the original three year base period for this Performance Management Contract, GPA and Vital Energy had also negotiated the cost of two one year extensions. The negotiated extension was \$685,402.48 for the first year, and \$695,683.53 for the second year.
10. However, the parties have now agreed to reduce the proposed fees for the two annual extensions in the amount of \$673,775.42 and \$684,056.47 respectively.<sup>9</sup>
11. The savings are a positive factor for GPA’s financial condition.
12. The Management, Operation, and Maintenance services which Vital Energy Inc. performs for GPA with regard to the Fuel Farm Bulk Storage Facility are essential to the efficient operation of the Cabras Power Plants.

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<sup>5</sup> Guam Consolidated Commission on Utilities Resolution No.2015-16, Authorizing Management of the Guam Power Authority to Extend GPA-030-12 for the Management, Operation and Maintenance of the Guam Power Authority’s Fuel Bulk Storage Facility, approved March 24, 2014.

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

<sup>7</sup> GPA Petition Requesting Approval of the Performance Management Contract (PMC) for the Management, Operation and Maintenance of the GPA Fuel Farm Bulk Storage Facility, GPA Docket 10-08, filed April 3, 2015, at p.2.

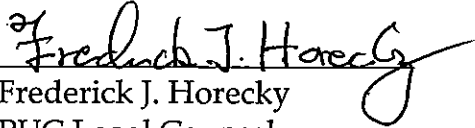
<sup>8</sup> See Exhibit “B” to CCU Resolution No.2015-16, a copy of which is attached hereto.

<sup>9</sup> Id.

**RECOMMENDATION**

13. Counsel recommends that the PUC approve GPA's two year contract extension of the Performance Management Contract with Vital Energy Inc. for Management, Operations and Maintenance of the GPA Fuel Farm Bulk Storage Facility.
14. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 24<sup>th</sup> day of April, 2015.

  
Frederick J. Horecky  
PUC Legal Counsel