

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 15-18
)
The Petition of the Guam Power Authority))
for Approval of Procurement of) **PUC COUNSEL REPORT**
Temporary Power Generation Services.)
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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 Approval of Procurement of Temporary Power Generation Services.¹

BACKGROUND

2. On August 31, 2015, GPA experienced a major failure of the Cabras Nos. 3 & 4 Power Plants when an explosion and fire occurred.²
3. GPA’s General Manager Benavente has opined, subject to a full investigation, that Cabras No. 4 may be irreparable; there is no estimated date for its return to service. GPA believes that Cabras No. 3 Unit may be able to produce power by March 2016.³
4. The explosion resulted in the loss of 78MW of baseload capacity, which places GPA in the difficult position of meeting system demand if there is an outage in one of the baseload or other large units. If there were an outage of one of the Cabras Steam Units, there could be insufficient reserve generation.⁴
5. The Guam Consolidated Commission on Utilities has indicated that, were there potential outages of both Cabras steam units [i.e. Cabras No.1 and Cabras No. 2],

¹ GPA Petition for Approval of Procurement of the Temporary Power Generation Services, GPA Docket 15-18, filed September 17, 2015.

² Id at p. 1.

³ Guam Power Authority Generation Capacity Alternatives, presented to the Guam Consolidated Commission on Utilities, September 9, 2015 [Baseload and Peaking/Emergency timeline estimation].

⁴ GPA Petition for Approval of Procurement of the Temporary Power Generation Services, GPA Docket 15-18, filed September 17, 2015, at p. 1.

GPA would have no reserve capacity and would be short approximately 40 to 60MW.⁵

6. GPA estimates that, at present, it has 50 MW of reserve capacity available. Its total existing capacity is 295MW. Peak demand is 245MW. However, basing necessary reserve on the loss of its two largest units, GPA believes that it needs a required reserve of 94MW. Thus, there is a present shortage in reserve capacity available of 44MW.⁶
7. GPA thus desires to pursue additional capacity through leasing services for an additional 40-60MW of stand-by generation to ensure that GPA has sufficient reserves even with the potential outages of the Cabras 1 & 2 units.⁷
8. At present, GPA does not have a clear picture of what the cost will be for leasing 40-60MW of temporary generation. The cost could be “as much as \$15M for the temporary generation capacity lease services...”⁸
9. GPA anticipates that generation capacity would be provided by bidders through combustion turbine and internal combustion engine packages, which are compartmentalized for quick deployment and set up. These generators would burn Ultra Low Sulfur Diesel.⁹
10. GPA has identified the Marbo and Yigo Substations as potential sites for generation packages.¹⁰
11. For the time being, GPA is only requesting that PUC approve a procurement for the indicated Temporary Power Generation Services. The Guam Consolidated

⁵ Guam Consolidated Commission on Utilities Resolution No. 2015-45, Authorizing Management of the Guam Power Authority to Lease Generation Capacity Services to Meet System Demand, adopted September 16, 2015 at p.1.

⁶ Guam Power Authority Generation Capacity Alternatives, September 16, 2015, Reserve Restoration Plan [attached to the GPA Petition herein].

⁷ Guam Power Authority Generation Capacity Alternatives, September 16, 2015, Procure Lease Service for 40 to 60MW of Temporary Power [attached to the GPA Petition herein].

⁸ Guam Consolidated Commission on Utilities Resolution No. 2015-45, Authorizing Management of the Guam Power Authority to Lease Generation Capacity Services to Meet System Demand, adopted September 16, 2015 at p.1.

⁹ Guam Power Authority Generation Capacity Alternatives, September 16, 2015, Procure Lease Service for 40 to 60MW of Temporary Power [attached to the GPA Petition herein].

¹⁰ Issues for Decision, prepared by GPA for the CCU for Resolution No. 2015-45.

Commission on Utilities has authorized the General Manager of GPA to procure 40-60 MW of temporary power generation capacity lease services to ensure sufficient reserves even with the potential outage of GPA's two largest units.¹¹

ANALYSIS

12. At present there has been little analysis done as to the causes of the Cabras Nos. 3 & 4 explosion. It is an extremely important issue as why there was suddenly an explosion at two power plants. There needs to be a thorough investigation and analysis of the causes of the explosion and a determination as to where responsibility lies for such explosion.
13. GPA further needs to explain why ratepayers suddenly find themselves in a crisis, emergency situation where there are insufficient generation reserves.
14. In recent months GPA mothballed the Tanguissan Plants and further suggested that new PMC contract for Cabras 1 & 2 "could be tailored to achieve an acceptable reliable level at reduced investments". (emphasis added).¹²
15. Given the recent explosion and loss of adequate generation capacity, it could be questioned whether mothballing of functioning plants and reducing the investment in the Cabras plants was an appropriate course of action. Counsel is not convinced that GPA has given adequate consideration to the possibility of reactivating the Tanguissan plants.
16. GPA should explain the reasons why there is suddenly an emergency as to generation capacity.
17. It is also apparent that GTA presently lacks information as to the cost of GPA's temporary services plan, the cost of other plant improvement recommendations, or how either will be funded. GPA's speculation that the plan could "be as much as \$15M for the temporary generation capacity lease services" is not sufficient for a firm projection upon which PUC could approve services.

¹¹ Guam Consolidated Commission on Utilities Resolution No. 2015-45, Authorizing Management of the Guam Power Authority to Lease Generation Capacity Services to Meet System Demand, adopted September 16, 2015 at p.2.

¹² PUC Counsel Report, Procurement of a Performance Management Contract for Cabras Units 1-4, dated April 27, 2015 at par. 19.

18. GPA states that it intends to fund the proposed temporary generation services and other recommended solutions through its Business Interruption Insurance Policy and the Self Insurance Fund. GPA needs to develop a far more detailed financial plan as to costs involved, and how it will pay for the temporary generation services and other elements of its recommended plan.
19. Other costly elements of its plan include replacement of the Cabras No. 1 Main Transformer and rehabilitation/activation of the Dededo 40MW CT Plant (Nos. 1 and 2).¹³ No source of funding has been identified for these other recommendations.
20. It is likely that all of GPA's proposed solutions will place additional burdens on ratepayers.
21. However, given the emergency situation which GPA now finds itself in, it does appear that it would be prudent for the PUC to allow GPA to issue a procurement so a determination can be made as to what temporary generation capacity is available for leasing, and what the exact cost of such services would be.
22. GPA should be required to present any proposed contract for temporary generation services to the PUC for thorough review before the contract is executed. Unless the questions presented herein are adequately answered, the PUC should not approve the execution of the proposed contract.

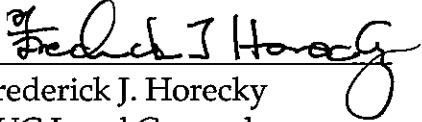
RECOMMENDATIONS

23. Counsel recommends that PUC authorize GPA to issue a procurement for temporary generation services, with the understanding that the emergency nature of this request, and the short amount of time to fully analyze this situation, demand that the PUC strictly scrutinize any proposed contract for the leasing of temporary generation services.
24. The procurement bid should be as broad as possible, without necessarily specifying any specific type of generation or fuel source, to encourage the provision by bidders of the broadest range of possible solutions.

¹³ Guam Power Authority Generation Capacity Alternatives, September 16, 2015, Recommendations.

25. At present the PUC should not approve any proposed funding source by GPA, such as Business Interruption Insurance Policy for the Self Insurance Fund until GPA provides all specifics as to cost of its recommendations.
26. The PUC authorization for GPA procurement should not be deemed as approval of any other element of its plan or proposed recommendations.
27. Within 30 days from the PUC Order herein, GPA should propose a Time of Use Plan for Peak Hour rates. TOU is potentially a feasible manner by which GPA can reduce peak hour demand and possibly forego the need for at least some of the additional generation capacity.
28. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 22nd day of September, 2015.


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