



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 15-22
)
The Application of the Guam Power)
Authority for Approval of an Award of a) **ORDER**
Performance Management Contract)
(PMC) for the Combustion Turbine Power)
Plants.)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Application of Guam Power Authority [“GPA”] for Approval of an Award of a Performance Management Contract (PMC) for the Combustion Turbine Power Plants.¹
2. GPA intends to award a five year PMC contract to Taiwan Electrical and Mechanical Engineering Services [“TEMES”] for the Management, Operation, and Maintenance of the Dededo Combustion Turbine Units 1 & 2, the Yigo Combustion Turbine, and the Macheche Combustion Turbine.²
3. The five year PMC contract will cost approximately \$5.9M, which includes the annual fixed management fees and the operations and maintenance budget.³

BACKGROUND

4. The PUC considered the matter of a procurement for the Combustion Turbine PMC at its meeting of December 10, 2015.⁴
5. At that time the PUC deferred action on the matter, finding that GPA had not adequately explained how it would fund the rehabilitation costs for the three CTs,

¹ The “Application” herein is the PUC Presentation provided by GPA at the Workshop on January 20, 2016, and the CCU Materials from the Board presentation forwarded by Board Secretary Lou Sablan on January 20, 2016 (which includes proposed CCU Resolution 2016-02).

² Guam Consolidated Commission on Utilities Proposed Resolution No. 2016-02, “Authorizing Management of the Guam Power Authority to Award Services for A Performance Management Contract Procure Services for GPA’s Combustion Turbine Power Plants”; it is anticipated that the CCU will adopt such Resolution at the CCU Meeting tomorrow on January 26, 2016.

³ Id.

⁴ PUC Order, GPA Docket 15-22, dated December 10, 2016.

which were estimated at \$10M, or how it would fund the \$1.2M annual cost for the PMC.⁵

6. The PMC Contract will cover the management, maintenance, and operation of various Combustion Turbine Power Plants (in particular, the Dededo CT Plants 1 & 2, the Yigo CT, and the Macheche CT).⁶
7. On January 20, 2016, GPA GM Benavente and Staff conducted a workshop for the PUC to further explain the need for the PMC for the CTs, and how GPA planned to pay for the costs of the PMC. GPA also presented the various slides, "PUC Presentation", on issues concerning the PMC.⁷
8. On January 20, 2016 GPA submitted to the PUC proposed Resolution No. 2016-02, notice of the award of the PMC Contract to TEMES, and the proposed Contract.⁸
9. In accordance with the proposed Contract, the PMC could potentially be used to operate the Piti 7 facility (the TEMES Combustion Turbine Plant); GPA's Energy Conversion Agreement with TEMES expires in 2017 resulting in the turnover of the Piti 7 facilities to GPA.⁹

DETERMINATIONS

10. GPA lost 79MW in generation capacity as a result of the Cabras explosion. The goal is to achieve a targeted total system capacity of 436MW by December 31, 2016. That total will give GPA a sufficient reserve capacity "cushion" in the event that the two largest plants go down or offline.¹⁰
11. It is critical to achieving sufficient system capacity that the availability of the Dededo CTs, and upgraded capacity for the Macheche and Yigo CTs, be ensured.¹¹

⁵ Id.

⁶ GPA Petition to Approve the Procurement of a Performance Management Contract (PMC) for Combustion Turbine Power Plants, GPA Docket 15-22, filed November 17, 2015, at pgs 1-2.

⁷ PUC Presentation, workshop for the PUC on January 20, 2016; copies have been provided to the PUC Commissioners in their meeting packets.

⁸ Guam Consolidated Commission on Utilities Proposed Resolution No. 2016-02; a copy thereof with Exhibits has also been presented to the PUC Commissioners.

⁹ Id.

¹⁰ PUC Presentation, supra.

¹¹ Id.

12. Without the availability of the CTs, GPA would simply not be able to provide the total desired generation capacity. The retention of a PMC for the operation of the Dededo, Yigo, and Macheche CTs is likely the quickest and most efficient means of restoring those plants to full generating capacity.
13. The principal issue raised in the prior PUC proceedings concerns the projected costs for rehabilitation of the CT Plants (Dededo, Yigo, and Macheche). There are also costs associated with each Plant over the five year period, such as for Fixed Management Fees and O & M expenses.
14. GPA has demonstrated that the availability of the CT Units are critical for GPA. Their availability will allow GPA to meet the PUC approved reliability requirement of 1 day Loss of Load in 4.5 years. The retirement of Cabras 4 requires GPA to obtain 40MW of additional capacity. The commissioning of the Dededo CTs will allow GPA to achieve its reliability criteria and the regulatory requirements.¹²
15. As for funding, Exhibits B & C of the Proposed CCU Resolution No. 2016-02 propose funding sources for the rehabilitation of the plants, and the plant operating cost. In available O&M Funds, GPA already has approximately \$800,000 for the PMC contract for FY2016. For the roughly \$5.9M plant rehabilitation costs, GPA plans to reprogram 1999 Bond Funds and 2010 Bond Funds.
16. GPA plans to reprogram funds from such projects as Underground Fuel Pipeline Conversion & Fuel Metering, Underground Extension to Port Authority, Agat Village Poll Hardening & Hybrid, and Cabras Plant CIPs. The total reallocation will involve approximately \$6,032,000.¹³ GPA will be required to apply to the PUC for approval of the reallocation.
17. GPA will fund the annual Fixed Management Fees and the O&M Budgets for the CTs from revenue funds. The annual cost of Fixed Management Fees and O&M Budget are between \$1.1M and \$1.25M.¹⁴
18. Through reallocating internal funds, GPA should be able to cover the costs of the PMC. There should be no ratepayer impact.

¹² PUC Presentation, January 20, 2016.

¹³ Exhibit C to CCU Resolution No. 2016-02.

¹⁴ Issues for Decision, attachment to CCU Resolution No. 2016-02.

19. GPA has presented a strong justification for the benefits of a PMC-type contract for GPA's CT units. GPA and the PMC can work together on operations and maintenance issues.¹⁵
20. The PMC will provide engineering, procurement and project management services to complete the rehabilitation and repair of the Plants. The administrative fees for the PMC will be no more than 5% of total project costs.¹⁶
21. The proposed form for the PMC contract follows that of prior contracts for the Cabras Plant PMCs. It contains the same general provisions which protect GPA and the ratepayers and similar performance guarantees.

ORDERING PROVISIONS

After review of the record herein, including GPA's Application for Approval of a Award of a PMC Contract for the Combustion Turbine Power Plants, the PUC Presentation, and the CCU proposed Resolution FY2016-02, and having hear the recommendation of Counsel, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

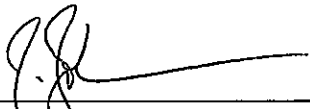
1. The award of the PMC Contract to TEMES is approved.
2. GPA is authorized to expend the amount of \$5,980,246, for the first five years of the Contract, to fund the Fixed Management Fee and O&M Budget for the Dededo CT, Macheche CT, and Yigo CT Plants.
3. The approval herein is conditioned upon adoption by the Guam Consolidated Commission on Utilities of Resolution No. 2016-02 at its meeting on January 26, 2016.
4. GPA shall file its application to reprogram 1999 & 2010 Bond Funds with the PUC.
5. GPA shall file a final copy of the PMC Contract between GPA and TEMES with the PUC.

¹⁵ PUC Presentation, supra.

¹⁶ Id.

6. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

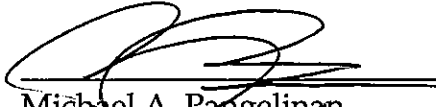
Dated this 25th day of January, 2016.




Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner

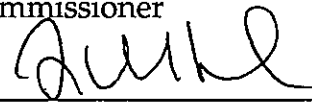


Michael A. Pangelinan
Commissioner

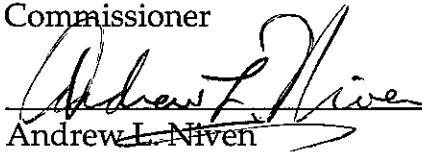


Filomena M. Cantoria
Commissioner

Joseph M. McDonald
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Peter Montinola
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