

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:)	GPA Docket 16-13
)	
The Application of the Guam Power Authority to Approve the FY2017 GPA CIP Ceiling Cap)	PUC COUNSEL REPORT
)	
)	

INTRODUCTION

This matter comes before the Guam Public Utilities Commission [PUC] upon GPA’s Petition for Request for Approval of FY2017 GPA CIP Ceiling Cap.¹ Therein, GPA requests the PUC approval of its FY2017 Capital Improvement Project Cap in the amount of \$18,798,120, which consists of General Plant (\$18,798,120) and Engineering (\$0).² The Guam Consolidated Commission on Utilities [CCU] approved the FY2017 Capital Improvement Project Ceiling Cap.³

BACKGROUND

The Contract Review Protocol for the Guam Power Authority requires that GPA’s annual level (“cap”) of internally funded Capital Improvement Projects (“CIP”) be set by the PUC before November 15th of each fiscal year.⁴

The CIPs included within the Cap are for “general plant.” The expenditures are for items including computers, software programs, office equipment, plant improvements and other miscellaneous items.⁵ GPA has listed all of the items, as well as approved cost of each, in Attachment 1 to the Petition.

The Contract Review Protocol does not require that GPA provide justifications for the items listed under General Plant.⁶ Other than the large plant upgrades, many of the

¹ GPA Petition for Contract Review (Application to Approve the FY2017 GPA CIP Ceiling Budget), GPA Docket 16-13, filed September 14, 2016.

² Id. at p. 2.

³ Guam Consolidated Commission on Utilities (CCU) Resolution No. 2016-46, Relative to the Adoption of a Budget for the Guam Power Authority for Fiscal Year 2017, adopted August 23, 2016.

⁴ §1.F of the Contract Review Protocol, at p. 2.

⁵ GPA Petition for Contract Review (Application to Approve the FY2017 GPA CIP Ceiling Budget), GPA Docket 16-13, filed September 14, 2016, Attachment 1.

⁶ Id.

items involve computer hardware and software upgrades for the various divisions within GPA. There are a number of items relating to plant and substation renovations and upgrades.⁷

GPA indicates that what GPA has provided is a General Plant (CIP) Approved Budget; it has been the case that GPA does not always expend all amounts indicated in the budget for the stated items.⁸

ANALYSIS

This year's requested cap includes a few extraordinary items: (1) Cabras 1 & 2 Overhaul, \$5,190,000; (2) Ten Diesel Plant Unit Overhauls, \$2,593,300; and (3) Dededo Combustion Turbine Repairs; \$2,907,200.⁹ Past Cabras overhauls have generally been funded through bonds. The Dededo CT repairs are being partially funded through bond funds, but the expenditure included in the cap is the revenue funded portion.¹⁰

Thus, if these extraordinary expenditures were not required for inclusion in this year's cap, the total cap would be more in the range of \$8M. Without the extraordinary expenses, the CIP Cap proposed for FY2017 is generally consistent, in terms of dollar amount, with the CIP Cap levels of prior years. The prior year cap levels were as follows:

FY2016 Cap: \$12,067,780
FY2015 Cap: \$9,974,000
FY2014 Cap: \$7,363,110.
FY2013 Cap: \$10,135,760.
FY2012 Cap: \$13.581M.
FY2011 Cap: \$5M.¹¹
FY2010 Cap: \$16,390,707.¹²

⁷ Id.

⁸ Meeting between PUC Counsel, GPA Counsel, and Acting Chief Financial Officer , GPA Docket 16-13, September 22, 2016.

⁹ Attachment 1 to GPA Petition.

¹⁰ Id. at p. 3.

¹¹ PUC Order, GPA Docket 13-16, dated October 29, 2013, at pgs. 1-2.

¹² PUC Order, GPA Docket 10-05, dated October 29, 2010, at pg. 1.

Even with the extraordinary expenses, the cap for FY2017 is within \$2M plus of the FY2010 cap. The expenditures listed appear to be reasonable; purchase of the items indicated could reasonably be expected to lead to the maintenance and upgrading of GPA operations.

GPA will need to seek approval under the Contract Review Protocol for procurement of those items included within the CIP cap which exceed the \$1.5M threshold. The extraordinary plant overhaul/repair items will need to go through the Contract Review process in order to obtain PUC approval. Certain expenditures for the Dededo Combustion Turbines have already been approved.¹³ Furthermore, GPA has already requested that the Consolidated Commission approve the Cabras 1 & 2 Overhaul and the Ten Diesel Plant Unit Overhauls, and forward the same to PUC for approval under the Contract Review Protocol.¹⁴

RECOMMENDATION

Based upon the recognition that the FY2017 general plant budget is consistent with that of prior fiscal years; subject to GPA's ability to carry out the capital improvement projects using internally-funded dollars, Counsel recommends that the PUC approve the \$18,798,120 Ceiling Cap.

GPA's FY2017 Internally funded CIP ceiling cap, consisting of general plant in the amount of \$18,798,120, should be approved. Such CIP cap is reasonable, prudent and in the interest of the ratepayers.

However, prior to expending amounts for the plant overalls which exceed \$1.5M, GPA must seek approval for such items under the Contract Review Protocol.

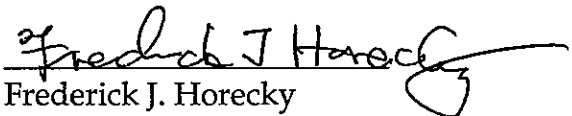
A Proposed Order is submitted herewith for the consideration of the Commissioners.

¹³ PUC Order, GPA Docket 15-22, Application of the Guam Power Authority for Approval of an Award of a Performance Management Contract (PMC) for the Combustion Turbine Power Plants, dated January 25, 2016.

¹⁴ Materials for GPA Work Session on September 22, 2016, Proposed Resolution 2016-49, Relative to Seeking PUC Approval for the Cabras 1 Overhaul; Proposed Resolution 2016-50, Relative to Approving Material Procurement for Cabras 1 Overhaul; and Proposed Resolution 2016-51, Relative to Seeking PUC Approval for the Diesel Overhaul.

PUC Counsel Report
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Dated this 23rd day of September, 2016.


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