

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF: ) GPA Docket 18-08  
 )  
The Application of the Guam Power for ) ORDER  
Approving the Phase II Renewable )  
Acquisition Award for GPA to Hanwha. )  
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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 the Phase II Renewable Acquisition Award to Hanwha Energy Corporation.<sup>1</sup>
2. GPA proposes to enter into contracts with Hanwha Energy Corporation (“Hanwha”) for the construction of two 30MW solar PV projects in Dandan, Inarajan. Under the contracts, GPA will purchase roughly 144,000 MWH Net Annual Generation.<sup>2</sup>
3. There are two separate contracts. Under Proposal 1, GPA will purchase roughly 72,000 MWH Net Annual Generation at a price of \$62.45 per MWH.<sup>3</sup> Under Proposal 2, GPA will purchase roughly 72,000 MWH Net Annual Generation at a price of \$65.99 per MWH.<sup>4</sup>

**BACKGROUND**

4. On June 26, 2014, the PUC authorized GPA to solicit competitive bids for up to 40MW of renewable energy in its Phase II Renewable Acquisition.<sup>5</sup>
5. In May 2016, GPA announced its Multi-Step Bid GPA-070-16 for 60MW of Renewable Energy Capacity with Energy Storage System for ramp control.<sup>6</sup>

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<sup>1</sup> GPA Petition for Approval of the Phase II Renewable Acquisition Award to Hanwha Energy Corporation, GPA Docket 18-08, filed March 9, 2018.  
<sup>2</sup> Guam Consolidated Commission on Utilities, Resolution No. 2018-04, Resolution Relative to Approval of the Phase II Renewable Energy Acquisition Award to Hanwha Energy Corporation, for 60MW of Renewable Energy Capacity, adopted February 27, 2018, at Exhibit A.  
<sup>3</sup> Id.  
<sup>4</sup> Id.  
<sup>5</sup> PUC Order, Procurement of Phase II Renewable Acquisition, GPA Docket 14-11, dated June 26, 2014, at p. 3.  
<sup>6</sup> GPA Petition for Approval of the Phase II Renewable Acquisition Award to Hanwha Energy Corporation, GPA Docket 18-0810, filed March 9, 2018, at p. 1.

6. GPA had advised the PUC both informally and in writing of its intent to seek 60MW of renewable energy capacity in its Phase II Renewables program.
7. GPA obtained price bids in January 2017 and determined that it wished to award renewable energy resource contracts up to 120MW. GPA felt that the increase in Megawatt power for award was justified because of the favorable price of solar power in comparison to fuel oil generated power under LEAC.<sup>7</sup>
8. Two bidders, KEPCO-LG CNS and Hanwa Energy Corporation were selected to provide two plants each, or 60 MW, totaling 120MW of solar PV capacity.<sup>8</sup>
9. GPA determined that it was advisable to procure 120MW of renewable solar PV energy. The two proposed contracts with Hanwha, as those with KEPCO, have a 25-year term with annual escalator of the 1% on a renewable energy price.
10. GPA intends to pay for the energy produced by the Hanwha 60MW plant through the Levelized Energy Adjustment Clause, which means that the cost of solar power purchased by GPA under the contract will be included in the fuel cost used to determine the customer LEAC rates.
11. As indicated, the contract will require the installation of Ramp Rate Control, in accordance with Appendix C of the proposed contracts. Hanwha will also be required to comply with interconnection requirements under the proposed Interconnection Agreement, which is still being negotiated.
12. On February 27, 2018, the CCU approved the award of two 30MW proposals, totaling 60MW for Phase II Renewable Acquisition projects, to Hanwa Energy Corporation and authorized GPA to seek contract review approval for the projects with the PUC.<sup>9</sup>

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<sup>7</sup> PUC Counsel had discussions with GPA Counsel Graham Botha and Assistant GM John Cruz in January or February of 2017 concerning the interest of GPA in procuring 120 MW of additional solar power in Phase II of the Renewables Program.

<sup>8</sup> GPA Petition for Approval of the Phase II Renewable Acquisition Award to KEPCO-LG CNS Consortium, GPA Docket 18-06, filed January 24, 2018, at p. 1.

<sup>9</sup> Guam Consolidated Commission on Utilities, Resolution No. 2018-04, Resolution Relative to Approval of the Phase II Renewable Energy Acquisition Award to Hanwha Energy Corporation, for 60MW of Renewable Energy Capacity, adopted February 27, 2018, at p. 4.

13. PUC Counsel filed his Report herein on March 23, 2018, which Report is adopted by the PUC.

### DETERMINATIONS

14. GPA has considerably increased the amount of renewable energy resources that it now intends to include within the island wide power system. The driver for such increase appears to be the lower price for renewable energy as compared with traditional fossil fuel energy.
15. Renewable energy is “an effective hedge against rising fuel oil prices.” As the Commission has witnessed in recent LEAC proceedings, fuel prices have been increasing.
16. The Hanwha proposals should provide substantial savings to GPA over the term of the contracts based on current and projected LEAC rates.<sup>10</sup>
17. Public Law 29-62 set certain “Renewable Portfolio Standards”, which required GPA to establish portfolio goals, *inter alia*, of twenty-five percent (25%) of its net electricity sales by December 31, 2035.<sup>11</sup>
18. With its proposed 120MW of solar energy, it appears that GPA will greatly exceed the legislative renewable portfolio standards. It is anticipated that, by 2020, 26% of GPA’s sales will be through renewable energy production.<sup>12</sup>
19. Furthermore, the energy prices under the renewable energy contracts are fixed with escalations of no more than the 1% annually.<sup>13</sup>
20. GPA must continue to justify amount of generation capacity which it has procured. With over 200MW of solar energy proposed, new generation of 180MW, and 400MW of existing fossil fuel energy resources, there is an issue of whether there is an excess of needed power production resources.

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<sup>10</sup> Id.; Hanwha’s prices per MWH are roughly \$20 less expensive per MWH.

<sup>11</sup> Public Law 29-62 enacted March 25, 2008, Section 2 (12 GCA §8311).

<sup>12</sup> Guam Consolidated Commission on Utilities, Resolution No. 2018-04, Resolution Relative to Approval of the Phase II Renewable Energy Acquisition Award to Hanwha Energy Corporation, for 60MW of Renewable Energy Capacity, adopted February 27, 2018, at Exhibit D.

<sup>13</sup> Id. at p. 2.

21. GPA will need to justify the total mix of energy resources that it is proposing, and that it is not procuring more generation capacity than necessary.
22. With regard to the proposed contract with Hanwha, there are new provisions which require energy storage and ramp control. It is desirable that GPA will require Hanwha to provide energy storage facilities enabling the shifting of solar energy to peak hour use.
23. In general, the proposed contracts are based upon earlier renewable energy contracts, such as the NRG contract, and appear to be well written and provide numerous provisions that protect GPA and its ratepayer interests in the event of contractor default. The provisions appear to be standard and commercially reasonable.

### ORDERING PROVISIONS

After review of the record herein, including GPA's Petition for PUC Approval of the Phase II Renewable Acquisition Award, and the PUC Counsel Report, 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 Petition of the Guam Power Authority ["GPA"] for Award of the Phase II Renewable Acquisition Contract for two 30MW plants to Hanwa Energy Corporation is approved.
2. GPA shall file a copy of the final executed contract with the PUC.
3. 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 29th day of March, 2018.

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Jeffrey C. Johnson  
Chairman

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Rowena E. Perez  
Commissioner

Order  
Approval for GPA Phase II  
Renewable Acquisition  
GPA Docket 18-08  
March 29, 2018

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Joseph M. McDonald  
Commissioner

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Michael A. Pangelinan  
Commissioner

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Peter Montinola  
Commissioner

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Filomena M. Cantoria  
Commissioner

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Andrew L. Niven  
Commissioner