

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF: ) GPA Docket 19-02  
)  
The Application of the Guam Power Authority Requesting Approval of the Procurement for a New ULSD Pipeline. ) ALJ REPORT  
)  
\_\_\_\_\_)

**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 Procurement for a New ULSD (Ultra Low Sulfur Diesel) Pipeline.<sup>1</sup>

**BACKGROUND**

2. GPA seeks to build a new ULSD pipeline to supply ULSD to the Piti Tank Farm, with tie-ins for Piti Power Plants 7, 8, and 9.<sup>2</sup>
3. The new ULSD pipeline system will consist of 8, 12, and 24-inch diameter pipes with supports/pedestals, pipe manifolds, valves, and pumping station to include motor, pumps, concrete roof, berms and pads.<sup>3</sup>
4. The 24-inch ULSD pipeline will be interconnected from the US Navy tie-in to tanks 1934 and 1935. The 12-inch pipeline will be interconnected from tanks 1934 and 1935 to the pumping station and the 6-inch pipeline will be interconnected from pumping station to the Piti Power Plants 7, 8, and 9.<sup>4</sup>
5. GPA has provided a more detailed explanation of the Pipeline project in Invitation No. GPA-\_\_\_\_ for the Tank Farm New ULSD Pipeline System (Design-Build), TECHNICAL SPECIFICATIONS, at Division 1 – General Requirements, Section 01010: “The design shall include pumping station including appurtenances with roof cover and concrete pad with Berm, 24-inch pipeline including gate valves and fittings from the Navy tie-in to Tanks 1934 and 1935, 12-inch pipeline including gate valves and fittings from Tanks from 1934 and 1935 to new pumping station,

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<sup>1</sup> GPA Petition to Approve the Procurement for a New ULSD Pipeline, GPA Docket 19-02, filed October 4, 2018.

<sup>2</sup> Id. at p. 1.

<sup>3</sup> Guam Consolidated Commission on Utilities Resolution No. 2018-21, Authorizing the Management of Guam Power Authority to Proceed with the Solicitation for the New ULSD Pipeline System, adopted on September 25, 2018, at p. 1.

<sup>4</sup> Id. at p. 1.

pumping station 8-inch manifold including appurtenances, 6-inch pipeline including valves and fittings from pumping station to Piti No. 7 Power Plant and 6-inch pipeline including valves and fittings from pump station to Piti Nos. 8 and 9 Power Plants. The design shall also include pipelines pedestals and supports.”<sup>5</sup>

6. The primary immediate purpose of the pipeline is to provide a system for the receipt of ULSD shipments from F-1 dock into the GPA Fuel Bulk Storage Facility. The pipeline will allow direct delivery of ULSD from any leased tank or tanks of Tristar into the GPA Fuel Bulk Storage Facility.<sup>6</sup>
7. GPA believes that such configuration will improve the supply of fuel to the power plants, increase reliability of fuel supply, and reduce supply/delivery issues as well as the costs incurred in delivery of fuel.<sup>7</sup>
8. The pipeline will deliver ULSD to the Tenjo and Piti 7 (TEMES) plants. Presently ULSD is trucked to those plants.<sup>8</sup>
9. The Pipeline will also have tie-in at Piti Plants No. 8 & 9 (MEC); however, the pipeline will not be used for that purpose unless and until those plants are converted to use ULSD.<sup>9</sup>
10. This Pipeline will not directly serve the planned New Generation Plants in Harmon. However, such pipeline is necessary so that the contractor for the new generation plants can build a ULSD pipeline from the Fuel Tank Farm to the new proposed generation plant site (using the pathway of the existing Tanguissan pipeline).<sup>10</sup>
11. The funding for this project will come from the Cabras 3 & 4 insurance proceeds, and has an estimated cost of \$5,900,000.<sup>11</sup>

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<sup>5</sup> Invitation for Bids No. GPA-\_\_\_\_ for the Tank Farm New ULSD Pipeline System (Design-Build), TECHNICAL SPECIFICATIONS, at Division 1 – General Requirements, Section 01010.

<sup>6</sup> GPA Responses to PUC Requests for Information, GPA Docket 19-02, dated October 16, 2018, GPA response to Question 1 at p. 2; GPA’s Response is attached hereto as Exhibit “A”.

<sup>7</sup> Id.

<sup>8</sup> Phone conversation between GPA Legal Counsel Graham Botha and PUC ALJ Fred Horecky on October 17, 2018.

<sup>9</sup> Id.

<sup>10</sup> Id.

<sup>11</sup> GPA Petition to Approve the Procurement for a New ULSD Pipeline, GPA Docket 19-02, filed October 4, 2018.

12. The PROJECT COST BREAKDOWN is attached as Exhibit “A” to CCU Resolution No. 2018-21. This is GPA’s best estimate available, and a more detailed cost estimate will be provided after design of the pipeline is completed.<sup>12</sup>
13. In CCU Resolution No. 2018-21, the Guam Consolidated Commission on Utilities approved GPA’s request to procure a new ULSD Pipeline.<sup>13</sup>

### ANALYSIS

14. It is evident that GPA needs a pipeline for ULSD to its powerplants. As GPA has indicated, the ULSD pipeline will initially tie-into the Tenjo and Piti 7 plants.
15. Furthermore, the pipeline may be subsequently used to transfer ULSD to Piti 8 & 9 plants, although that issue has not yet been addressed or approved by the PUC.
16. GPA has also established that this pipeline is critical for the subsequent pipeline that will be built by the contractor of the new generation plants in Harmon. The pipeline tie-in at the Fuel Tank Farm will be necessary to enable the Contractor of the new generation plants to build the pipeline to such plants.
17. GPA has asserted, both in its Petition and CCU Resolution No. 2018-21, that it is required by USEPA to use Ultra Low Sulfur Diesel (ULSD) to fuel its powerplants by 2021. Although GPA did not include such authority in its petition to support the assertion, it has now supplied such authority in response to the PUC Requests for Information, which are attached hereto as Exhibit “A”.
18. Guam law now requires that all diesel fuel imported to Guam for the purpose of sale and distribution in Guam *shall* meet the USEPA standards for *ultra-low sulfur diesel fuel*. Such fuel must contain 15 parts per million (15ppm) or less of sulfur content.<sup>14</sup>
19. It also appears that the new generation plants will be required to use ULSD, or possibly LNG, to comply with the RICE MACT regulations implemented by the USEPA: “For the new power plants, combustion turbine units using Ultra-Low

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<sup>12</sup> GPA’s Response to PUC Requests for Information, Docket 19-02, filed October 16, 2018, QUESTION, pgs. 2-3.

<sup>13</sup> Guam Consolidated Commission on Utilities Resolution No. 2018-21, Authorizing the Management of Guam Power Authority to Proceed with the Solicitation for the new ULSD Pipeline System, adopted September 25, 2018 at p. 2.

<sup>14</sup> 10 GCA § 49119.

Sulfur Diesel or cleaner fuel such as Liquefied Natural Gas, can meet the regulations.”<sup>15</sup>

20. For the foregoing reasons, GPA needs to have a new pipeline system that is capable of transporting ULSD. The expenditure of \$5.9M for this purpose appears to be justified.
21. There will also be cost saving impacts from the pipeline, including reduced cost by eliminating the present need to truck the ULSD, and for having a system for the delivery of more efficient fuels.
22. Pursuant to the BID INVITATION for the new ULSD pipeline system, the contractor will be required to complete all work within 270 calendar days from the issuance of the Notice to Proceed.<sup>16</sup>
23. The Bid Requirements and the proposed Contract contain standard protections which GPA includes in procurements. There is a bid bond, and performance and payment bond, in the event of default by the Contractor.<sup>17</sup>
24. The Contractor is required to pay liquidated damages in the amount of \$1,000.00 per day for each additional day for which the work is not completed within the time specified.<sup>18</sup> The contractor indemnifies GPA for any damages, injury or death resulting from the acts or omissions of the Contractor.<sup>19</sup>
25. The Contractor is also required to provide a bid guaranty of not less than 15 percent (15%) of the total bid amount for which an award can be made.<sup>20</sup> The Contractor guarantees against defects resulting from the use of inferior materials, equipment or workmanship for one year from the date of final completion of the contract.<sup>21</sup>
26. There is also a retention amount of ten percent (10%) of the estimated contract amount until final completion and acceptance of all work covered by the contract.<sup>22</sup>

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<sup>15</sup> GPA Responses to PUC Requests for Information, GPA Docket 19-02, dated October 16, 2018, GPA response to Question 1 at p. 2.

<sup>16</sup> Invitation for Bids No. GPA-\_\_\_\_ for the Tank Farm New ULSD Pipeline System (Design-Build), at Instructions to Bidders, p. 2, Time of Completion.

<sup>17</sup> Id. at BID BOND and PERFORMANCE AND PAYMENT BONDS at PB-1-2, and PB-1-3.

<sup>18</sup> Id., FORMAL CONTRACT at FC-3.

<sup>19</sup> Id. at FC-4.

<sup>20</sup> General Conditions, p. GC-7.

<sup>21</sup> Id. at GC-21

<sup>22</sup> Id. at GC-31.

27. The Procurement Documents and proposed Contract are adequate to protect the interest of GPA and its ratepayers.
28. The new ULSD pipeline is necessary to comply with USEPA requirements, and is reasonable, prudent, and necessary.

**RECOMMENDATION**

29. Counsel recommends that PUC approve GPA's procurement of a new ULSD Pipeline.
30. A proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 18<sup>th</sup> day of October, 2018.

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Frederick J. Horecky  
Chief Administrative Law Judge