

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 17-12
)
The Application of the Guam Power)
Authority to Approve the Cabras 3 & 4) **PUC COUNSEL REPORT**
Plant and Engine Cleaning.)
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_____)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Application of the Guam Power Authority [“GPA”] to Approve the Cabras 3 & 4 Plant and Engine Cleaning.¹

BACKGROUND

2. The Cabras 3 & 4 explosion occurred on August 31, 2015. Since the explosion occurred, GPA has been negotiating settlement of its claims through its Insurers.
3. Recently, GPA received notice from its Insurers to proceed with preservation efforts for the Cabras 3 & 4 plants.²
4. GPA’s own insurance claims consultant, the Greenspan Co./Adjusters International, wrote a letter to the Insurers’ representative McLarens indicating that, at the insurers’ request, GPA should undertake cleaning of the Cabras 3 & 4 building structure, as well as the Cabras 3 Engine Exterior Cleaning.³
5. Cabras 3 & 4 suffered extensive smoke and soot contamination from the fire after the Cabras explosion.⁴ The Insurer has requested that GPA clean the Cabras 3 & 4 building, as well as the Cabras 3 engine exterior.

¹ GPA Application to Approve the Cabras 3 & 4 Plant and Engine Cleaning, GPA Docket 17-12, filed November 15, 2016.

² GPA Application to Approve the Cabras 3 & 4 Plant and Engine Cleaning, GPA Docket 17-12, filed November 15, 2016, at p. 1.

³ Letter from Greenspan Vice President Masood Khan, Esq. to Regional Managing Director, Russell Henderson, of McLarens, dated October 31, 2016.

⁴ GPA Application to Approve the Cabras 3 & 4 Plant and Engine Cleaning, GPA Docket 17-12, filed November 15, 2016, at p. 1.

6. GPA's Performance Management Contractor for the Cabras 3 & 4 Plant is Korea East West (KEWP). KEWP has obtained the necessary price quotes for services and equipment required to decontaminate and clean Cabras 3 & 4 plant, including the Unit 3 engine exterior cleaning, in order to help preserve the Cabras Unit 3.⁵
7. GPA has a fiduciary responsibility to preserve Cabras Unit 3 until the insurance claim is finally settled.⁶
8. The PMCs for the Cabras plants often undertake procurements for capital improvement projects and other projects designed to improve the plants. In this case, PMC KEWP issued a procurement for Cabras 3 & 4 to include cleaning, and the cleaning of the Cabras 3 exterior engine. Two bids were received. Belfor USA was the lowest bidder.⁷
9. Belfor USA's detailed proposal for cleaning the Cabras 3 & 4 Plant Cleaning is also included in Attachment A. Belfor's cost proposal for the project is \$4,840,538.00.⁸
10. The Guam Consolidated Commission on Utilities, in Resolution No. 2016-68, approved GPA's request to undertake the Cabras 3 & 4 Plant and Engine Cleaning with KEWP, in the amount of \$4,840,538.00.⁹

ANALYSIS

11. GPA's representation that the Insurers will pay for the Cabras 3 & 4 Plant and Engine Cleaning in the amount of \$4,840,538.00 is significant. The cost for the project will have no direct impact upon the rates paid by the ratepayers of Guam.
12. However, expenditure of such funds for the Cabras 3 & 4 Plant and Engine Cleaning will reduce the total amount of settlement funds available to GPA. One could

⁵ Id.

⁶ Guam Consolidated Commission on Utilities, Resolution No. 2017-68, Relative to Authorizing Expenditure for Cabras 3 & 4 Plant Cleaning and Unit 3 Engine Cleaning, adopted November 22, 2016, at p. 1.

⁷ Attachment A to GPA's Petition, "Cabras 3 & 4 Plant Cleaning."

⁸ Id.

⁹ Guam Consolidated Commission on Utilities, Resolution No. 2017-68, Relative to Authorizing Expenditure for Cabras 3 & 4 Plant Cleaning and Unit 3 Engine Cleaning, adopted November 22, 2016, at p. 2.

suggest that expenditure of such funds should be made for more desirable purposes, such as the cost of the 180MW combined cycle combustion plant which GPA seeks to procure.

13. However, in terms of the overall insurance settlement claims process, GPA does have the duty to mitigate losses to the equipment and plant damaged by the explosion. An insurance claimant does have to mitigate its potential damage or loss by preserving the damaged property.
14. Therefore, GPA should be authorized to undertake these preservation efforts for the Cabras 3 & 4 Plant and Engine Cleaning. GPA is required to undertake preservation efforts as part of the insurance claim.¹⁰

RECOMMENDATIONS

15. Counsel recommends that PUC authorize GPA's to proceed with the Cabras 3 & 4 Plant and Engine Cleaning with KEWP.
16. The contract with Belfor USA, procured and administered by KEWP, should be authorized in the amount of \$4,840,538.00. However, such amount must be paid by the insurers and not GPA or KEWP.
17. The proposed Contract with Belfor, procured by KEWP, is reasonable, prudent and necessary.
18. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 23rd day of November, 2016.

Frederick J. Horecky
PUC Legal Counsel

¹⁰ GPA Application to Approve the Cabras 3 & 4 Plant and Engine Cleaning, GPA Docket 17-12, filed November 15, 2016, at p. 2.