

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 17-03
)
The Application of the Guam Power)
Authority for Approval of the Overhaul of) **PUC COUNSEL REPORT**
the Diesel Peaking Units.)
)
_____)

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 Overhaul of the Diesel Peaking Units.¹

BACKGROUND

2. GPA has 10 Peaking Units located at Tenjo Vista, Talofoto, and Manenggon with a total capacity of 45.8MW. These units were installed in 1993.²
3. GPA submits that major engine overhaul of eight (8) stationary Caterpillar Diesel Engines located at Tenjo Vista and Talofoto Diesel Power Plants, and two (2) stationary Wartsila Diesel Engines located at Manenggon Diesel Power Plant are required.³
4. The 10 units are in need of major overhauls to ensure unit availability and to restore design efficiency. The total major overhaul cost is expected to be \$7,800,000 (\$780,000 per unit).⁴
5. The breakdown of the anticipated cost is as follows:

Engineering/Construction Management	\$ 390,000.00
Equipment/Materials	\$5,070,000.00

¹ GPA Petition for Approval of the Overhaul Diesel Peaking Units, GPA Docket 17-03, filed October 7, 2016.

² Id. at p. 1.

³ Issues for Decision on CCU Resolution No. 2016-51, attached to the Board Packet for the CCU September 27, 2016 Regular Meeting.

⁴ GPA Petition for Approval of the Overhaul Diesel Peaking Units, GPA Docket 17-03, filed October 7, 2016, at p. 1.

Contract Labor/Equipment \$2,340,000.00

Total \$7,800,000.00⁵

6. The Guam Consolidated Commission on Utilities Resolution No. 2016-51 authorized GPA's request to petition the PUC for approval to proceed with utilizing revenue funds to finance major maintenance and overhaul work for Peaking Diesel Units located at Tenjo, Talofofo, and Manenggon power plants.⁶
7. The work is proposed to be performed over a 3-year contract, to be programed under revenue funds for each fiscal year that the contract is in place.⁷

ANALYSIS

8. GPA previously advised the PUC in its Request for Approval of the FY2017 GPA CIP Ceiling Cap that it intended to work on 10 Diesel Plant Unit Overhauls in the amount of \$2,593,300 in FY2017.⁸
9. The PUC approved the CIP Ceiling Cap, which included expenditures for the 10 Diesel Plant Unit Overhauls, but required GPA to seek approval from the PUC under the Contract Review Protocol before expending amounts for such overhaul.⁹
10. GPA intends to issue an IFB for performance of the overhaul work. It is a two-step bid (technical qualifications and price). GPA has also provided a standard form contract with its Petition. The IFB provides a detailed scope of work for each unit.¹⁰
11. The selected contractor will provide all labor, supervision, administration and management, supply of all equipment, and materials and consumables necessary to perform the services in accordance with the specifications and other contract documents.¹¹

⁵ Issues for Decision on CCU Resolution No. 2016-51, attached to the Board Packet for the CCU September 27, 2016 Regular Meeting.

⁶ CCU Resolution No. 2016-51, Authorizing the Guam Power Authority to Seek Approval from the PUC for the Peaking Diesel Units Major Overhaul Project, approved on September 27, 2016.

⁷ Id.

⁸ GPA Petition to Approve the FY2017 GPA CIP Ceiling Cap Budget, GPA Docket 16-13, filed September 14, 2016.

⁹ PUC Order, GPA Docket 16-13, dated September 29, 2016, at p. 3.

¹⁰ Bid Specifications for Major Engine Overhaul for Tenjo Vista, Talofofo and Manenggon Diesel Power Plants, GPA Docket 17-03, filed October 14, 2016.

¹¹ Id., SCOPE OF WORK.

12. For the Tenjo Vista/Talofof plants, the work includes: replacement of parts with new or reconditioned parts, supply of new original equipment and manufactured parts, inspection of parts and replacements, protection device check, generator maintenance, and testing and commissioning.¹²
13. For the Manenggon Plant, the work includes: complete major engine overhaul, generator maintenance and miscellaneous tasks.¹³
14. GPA has attached to its Petition a Cost-Benefit analysis of the Diesel Peaking Major Overhaul Contract, a schedule for specific unit overhaul, projected time line, and specific services which GPA seeks to render in the Diesel Peaking Units.¹⁴
15. The CCU considers these units to be “critical peaking units for the Island Wide Power System (IWPS) due to their quick start-up capabilities and smaller unit capacities... Major overhauls must be performed on these units to ensure unit availability and restore design efficiency.”¹⁵
16. Although the CCU Resolution indicates that the Major Overhauls “are in line with the manufacturer’s recommended schedules per run time hours...”, it appears that **“The scheduled recommended run time hours for major overhauls per the manufacturer’s recommendation have been exceeded for GPA’s Peaking Diesel Units.”**¹⁶
17. Therefore, these major overhauls for the Diesel Peaking Units are necessary to ensure the availability and continued operation of these units. These units are particularly needed over the next few years because GPA currently faces a generation capacity shortage
18. PUC Counsel clarified with GPA Counsel the intent of GPA to issue a procurement for materials and labor for the overhaul of the Diesel Peaking Units. GPA Counsel responded that, if GPA secures approval to expend \$7.8M using revenue funds over

¹² Attachment 1 to GPA Petition.

¹³ Attachment 2 to GPA Petition.

¹⁴ See “Diesel Peaking Major Overhaul Contract, attached to GPA’s Petition.

¹⁵ CCU Resolution No. 2016-51, Authorizing the Guam Power Authority to Seek Approval from the PUC for the Peaking Diesel Units Major Overhaul Project, approved on September 27, 2016.

¹⁶ See Cost-Benefit Analysis, Diesel Peaking Major Overhaul Contract , attached to GPA’s Petition.

the next three years for the overhauls, it will put out a bid including labor and materials; the final contract will be submitted to the PUC for approval.¹⁷

RECOMMENDATION

19. Counsel recommends that the PUC approve the Major Overhaul of the Diesel Peaking units as requested in GPA's Petition.
20. Overhauls and major maintenance are necessary for the reliability and operational capacity of Peaking Diesel Units.
21. GPA should be authorized to expend up to the amount of \$7,800,000 over a 3-year period using revenue funds.
22. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 22th day of October, 2016.

Frederick J. Horecky
PUC Legal Counsel

¹⁷ Email from PUC Counsel Fred Horecky to GPA Counsel Graham Botha dated October 11, 2016; Email from GPA Counsel Graham Botha to PUC Counsel Fred Horecky dated October 11, 2016.