



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 19-12
)
The Application of the Guam Power)
Authority for Approving the Contract for) **ALJ REPORT**
Supply of Diesel Fuel Oil to GPA)
)
_____)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Guam Power Authority’s [“GPA”] Petition for Approval of the Contract for Supply of Diesel Fuel Oil to GPA.¹

BACKGROUND

2. On February 23, 2017, the PUC authorized GPA to proceed with the procurement for the supply of Diesel Fuel to GPA for the Baseload plants, Fast-Track Diesel Plants, and the Combustion Turbine Plants.²
3. However, on September 12, 2017, GPA petitioned the PUC to allow it to re-solicit bids for diesel fuel. It had issued an IFB after the prior PUC Order, but subsequently determined that operational requirements for diesel fuel during the next 3-5 years, as well as bidder inquiries, would necessitate major changes in the structure of the current bid.³
4. The PUC approved GPA’s request to re-solicit bids for its procurement for the supply of diesel fuel.⁴
5. The then current contract for the supply of Diesel Fuel Oil No. 2 for the Baseload and peaking units was set to expire on December 31, 2017.⁵
6. On December 18, 2017, the Chairman of the Guam Public Utilities Commission, pursuant to 12 GCA § 12105(b), authorized GPA’s request to extend GPA’s fuel oil

¹ GPA Petition for Contract Review, GPA Docket 19-12, filed August 8, 2019.

² PUC Order, GPA Docket 17-18, dated February 23, 2017, at p. 3.

³ PUC Order, GPA Docket 17-18, dated September 28, 2017, at pgs. 1-2.

⁴ Id. at p. 3.

⁵ Id. at p. 1.

supply contracts with Mobil Oil Guam and IP&E Guam for the period of January 1, 2018 to December 31, 2018.⁶

7. On January 30, 2018, the PUC ratified the Chairman's Order extending GPA's Diesel Fuel Supply Contracts for a 1-year period.⁷
8. On December 5, 2018, GPA petitioned the PUC to exercise a second extension option under the Diesel Fuel Supply Contracts with Mobil Oil Guam, Inc. and Isla Petroleum and Energy LLC (IP&E Guam) for the period of January 1, 2019 to December 31, 2019.⁸
9. On December 27, 2018, the PUC approved the exercise of GPA's remaining option to extend its Diesel Fuel Supply Contracts with Mobil and IP&E from January 1, 2019 to December 31, 2019.⁹
10. Therefore, the present GPA contract to for the supply of Diesel Fuel Oil No. 2 for the Baseload and Peaking Units will expire on December 31, 2019.¹⁰
11. As authorized by the CCU in Resolution No. 2017-33 and the PUC in GPA Docket 17-18, GPA issued Bids No. GPA-008-18 for the procurement of a new Diesel Fuel Oil No. 2 supply contract. The only qualified bidders that submitted price proposals for GPA consideration were Mobil Oil Guam, Inc. and Isla Petroleum and Energy ("IP&E") Holdings LLC.
12. In Resolution No. 2019-10, the Guam Consolidated Commission on Utilities authorized the management of GPA to petition the PUC to award the Contract for the Supply of Diesel Fuel Oil No. 2 for the Baseload Power Plants and Peaking Units.¹¹

⁶ PUC Order, GPA Docket 18-04, dated December 18, 2017.

⁷ PUC Order, GPA Docket 18-04, dated January 30, 2018.

⁸ GPA Petition for Contract Review, GPA Docket 19-08, dated December 5, 2018.

⁹ PUC Order, GPA Docket 19-08, dated December 27, 2018, at p. 3.

¹⁰ GPA Petition for Contract Review, GPA Docket 19-12, filed August 8, 2019, at p. 1.

¹¹ Guam Consolidated Commission on Utilities Resolution No. 2019-10, Authorizing the Management of the Guam Power Authority to Petition the Public Utilities Commission to award the Contract for the Supply of Diesel Fuel Oil No. 2 for the Baseload Power Plants and Peaking Units, adopted and approved on July 23, 2019.

13. Mobil Oil Guam was determined to be the lowest most responsive bidder to provide diesel fuel oil for Site Location 1 (Yigo CT and Aggreko). IP&E Holdings LLC was determined to be the lowest, most responsive bidder to provide diesel fuel oil for Site Location 2 (Macheche CT and Dededo CT).¹²
14. Mobil Oil Guam was determined to be the lowest, most responsive bidder to provide diesel fuel oil for Site Location No. 3 (Piti 7). Mobil Oil Guam was also determined to be the lowest most responsive bidder to provide diesel fuel oil for Site Location 4 (Cabras 1 & 2, MEC 8 & 9, Manenggon Diesel Plant, and Talofoyo Diesel Plant).¹³

ANALYSIS

15. The aggregate contract value for all the site locations for the 2-year contract base period is estimated at \$146,664,400.00 (subject to change depending on prevailing market price for diesel) of which \$15,790,800.00 is for the Fixed Service Fee cost.¹⁴
16. GPA's awards of contracts to Mobil Oil and IP&E Guam are based upon the fixed service fee offered by each company for each location. The fixed Service Fee is the price per gallon, in addition to fuel cost, which the company will charge for its services. For the four locations, the fixed service fees range from \$0.215 per gallon to \$0.257 per gallon.¹⁵
17. The total estimated quantity of gallons of diesel fuel oil for the 2-year contract base period is 70,400,000 gallons.
18. GPA estimates that the total savings for all four locations in Fixed Service Fee for the 2-year period is approximately \$1,556,000.00 (over the existing contract).¹⁶

¹² Id. at pgs. 1-2.

¹³ Id. at p. 2.

¹⁴ Id. at p. 3.

¹⁵ See Exhibits A through D, attached to the GPA Petition herein.

¹⁶ Guam Consolidated Commission on Utilities Resolution No. 2019-10, Authorizing the Management of the Guam Power Authority to Petition the Public Utilities Commission to award the Contract for the Supply of Diesel Fuel Oil No. 2 for the Baseload Power Plants and Peaking Units, adopted and approved on July 23, 2019, at p. 2.

19. GPA has provided copies of its proposed Contracts with Mobil Oil and IP&E.¹⁷ The Contracts are standard form for oil purchase contracts and provide numerous provisions designed to protect GPA and its ratepayers.
20. The Contractors provide quantity and quality assurances and warranties. Contractors Insurance, commercial general liability, Pollution Liability, and Excess Liability are provided, among others. The Contractors indemnify GPA. If the Contractors fail to deliver fuel supply, GPA may obtain such supply from other sources. There are various penalty clauses if the Contractors deliver fuel quality outside specifications. GPA may terminate the Contracts for its convenience. There are also Performance Bonds from Mobil Oil and IP&E respectively in the amounts of \$8,503,830.00 and \$2,542,800.00.¹⁸
21. The proposed Contracts appear to adequately protect the interests of GPA and its ratepayers.
22. The PUC has previously determined that a continuous supply of diesel fuel oil is necessary for GPA to maintain its electric power generation capacity.¹⁹
23. If the PUC did not approve the current request, GPA would be left without a diesel fuel oil supply after December 31, 2019.
24. Diesel fuel assists GPA in providing a stable and uninterrupted supply of electricity to meet the island wide utility power demand.²⁰
25. The diesel fuel is essential to the operation of the diesel power plants, and the contracts are reasonable, prudent, and necessary.

RECOMMENDATION

26. The Administrative Law Judge recommends that the PUC approve the Contracts for Supply Diesel Fuel Oil for the Baseload Plants, Fast-Track Diesel Plants and

¹⁷ Volume II (CONTRACT)_IFB GPA-008-18 Supply Delivery draft (for Award- IPE); Volume II (CONTRACT)_IFB GPA-008-18 Supply Delivery draft (for Award- MOBIL).

¹⁸ Email from GPA Legal Counsel Graham Botha to ALJ Fred Horecky dated August 26, 2019.

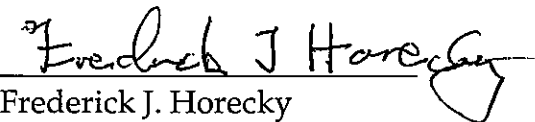
¹⁹ PUC Order, Application of the Guam Power Authority to exercise Extension Option under the Diesel Fuel Supply Contract, GPA Docket 19-08, dated December 27, 2018, at p. 3.

²⁰ PUC Order, Approval of GPA Procurement for Supply of Diesel Fuel Oil, GPA Docket 17-18, dated February 23, 2017, at p. 2.

Combustion Turbine Plants, to Mobil Oil Guam, Inc. for 3 sites and Isla Petroleum and Energy Holdings, LLC (IT&E) for 1 site.

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

Dated this 25th day of August, 2019.



Frederick J. Horecky
Chief Administrative Law Judge