

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:)	
)	GPA Docket 19-14
)	
The Application of the Guam Power)	ALJ REPORT
Authority to Approve the FY2020 GPA)	
CIP Ceiling Cap)	
_____)	

INTRODUCTION

This matter comes before the Guam Public Utilities Commission [PUC] upon GPA’s Petition for Request for Approval of the FY2020 GPA CIP Ceiling Cap.¹ Therein, GPA requests PUC approval of its FY2020 Capital Improvement Project Cap in the amount of \$23,780,278, which consists of General Plant (\$20,311,663) and Engineering (\$3,468,615).² GPA’s proposed FY2020 Ceiling Cap also includes \$3,840,293 for Line Extensions. However, pursuant to the GPA Contract Review Protocol, regulatory review is not required for blanket job orders and line extensions.³ The Guam Consolidated Commission on Utilities [CCU] approved the FY2020 Capital Improvement Project Ceiling Cap.⁴

BACKGROUND

The Contract Review Protocol for the Guam Power Authority requires that GPA’s annual level (“cap”) of internally funded Capital Improvement Projects (“CIP”) be set by the PUC before November 15th of each fiscal year.⁵

The CIPs included within the Cap are for “general plant” and “engineering.” The “general plant” expenditures include such items as plant improvements/equipment, renovation, computer hardware and software, vehicles (excavator, digger, trucks),

¹ GPA Petition for Contract Review (Application to Approve the FY2020 GPA CIP Ceiling Budget), GPA Docket 19-14, filed September 15, 2019.

² Id. at p. 1.

³ Contract Review Protocol for GPA, Administrative Docket, February 15, 2008, Sec. 1a.

⁴ Guam Consolidated Commission on Utilities (CCU) Resolution No. 2019-12, Relative to the Adoption of a Budget for the Guam Power Authority for Fiscal Year 2020, adopted September 4, 2019.

⁵ Contract Review Protocol for GPA, Administrative Docket, February 15, 2008, Sec 1f.

and other miscellaneous items.⁶ The “engineering” expenditures are for projects such as UPS System, LED Streetlight Conversion and T & D Line Maintenance Support, Disaster Recovery Office Building, Tank Farm Pipeline Upgrade, Network Communication, Fiber to All Substations, Kaiser Hybrid Conversion, and Talofof ESS Upgrade.

The Contract Review Protocol does not require that GPA provide justifications for the items listed under General Plant.⁷ GPA indicates that what it has provided is a General Plant (CIP) Approved Budget; it has often been the case that GPA does not expend all amounts indicated in the budget for the stated items.⁸

ANALYSIS

This year’s requested cap includes some large “plant” items: (1) E1 Software Upgrade (Implementation), \$953,336; (2) Major Overhaul Tenjo Units #3, #4, #6, \$839,032; (3) 55 Ft. Bucket Trucks, \$771, 897; (4) 120 Bucket Truck (4x4), \$696,429; Portable Generators on trailers to support existing stationary generators Island-wide on deep well/booster & sewer stations, \$678,169; (5) Unit 1, Replacement of Burner A 2 Throat Water Tube and Boiler Water Wall Tube, \$550,000; (6) Digger, \$550,000; and (7) Unit 2 Burner front components renovation.⁹

The prior year cap levels were as follows:

FY2019 Cap: \$22,022,011
FY2018 Cap: \$20,959,813
FY2017 Cap: \$18,798,120
FY2016 Cap: \$12,067,780
FY2015 Cap: \$9,974,000
FY2014 Cap: \$7,363,110.
FY2013 Cap: \$10,135,760.
FY2012 Cap: \$13.581M.¹⁰

⁶ GPA Petition for Contract Review (Application to Approve the FY2020 GPA CIP Ceiling Budget), GPA Docket 19-14, filed September 15, 2019, ATTACHMENT A.

⁷ Contract Review Protocol for GPA, Administrative Docket, February 15, 2008, Sec. 1f.

⁸ Discussion between PUC Counsel and GPA Legal Counsel on September 15, 2017.

⁹ GPA Petition for Contract Review (Application to Approve the FY2020 GPA CIP Ceiling Budget), GPA Docket 19-14, filed September 15, 2019, Attachment A.

¹⁰ PUC Order, GPA Docket 18-17, dated September 27, 2018, at pgs. 1-2.

FY2011 Cap: \$5M.¹¹
FY2010 Cap: \$16,390,707.¹²

The proposed FY2020 CIP cap, \$23,780,278, exceeds the FY2019 cap by nearly \$1.8 M. The FY2019 cap, \$22,022,011, exceeded the FY2018 cap, \$20,959,813, by over \$1M. The FY2018 cap, \$20,959,813, exceeded the FY2017 cap (\$18,798,120) by over \$2M. Thus, it would appear that the amount of the CIP cap has been increasing considerably in recent years.

However, a closer examination of the numbers indicates that, in fact, the cap has not really been increasing much, if at all. Four of the six most expensive items in the Proposed CIP Ceiling Cap for FY 2020, an amount of \$3,938,683, are **carryover** amounts from the FY2019 cap. The total carryover amount from the FY2019 cap is \$7,113,298. What this means is that the budgeted amounts for numerous projects were simply carried over in the FY2020 CIP budget from the prior year ceiling cap. GPA's Attachment A to its Petition, which lists the General Plant expenditures, includes 17 projects which were carried over to 2020 from 2019.

It is also noteworthy that a number of expenditures are for replacement items for the Cabras 1 & 2 plants, and the Tenjo plants. These costs could be expected as those plants age and their life spans shorten.

With regard to the proposed engineering projects for FY2020, with a cap of \$3,468,615, \$1,168,615 is from FY2019 carryover projects. The FY2019 budget cap was \$2,407,924. The large number of carryover projects could indicate that some projects are taking longer to complete than anticipated.

The proposed Engineering CIP projects appear reasonable and should improve the IWPS. Major projects include: GBNPSB – 2nd UPS System, \$400,000; LED Streetlight Conversion and T & D Line Maintenance Support, \$400,000; Tank Farm Pipeline Upgrade, \$301,969; Disaster Recovery Office Building, \$300,000; Network Communication, Fiber to All Substations, \$214,000; Kaiser Hybrid Conversion, \$200,000; and Talofof ESS (Upgrade), \$200,000.¹³

¹¹ PUC Order, GPA Docket 13-16, dated October 29, 2013, at pgs. 1-2.

¹² PUC Order, GPA Docket 10-05, dated October 29, 2010, at pg. 1.

¹³ GPA FY2020 Approved Engineering Projects, Attachment A.1.

GPA needs to seek approval under the Contract Review Protocol for procurement of any items included within the CIP cap which exceed the \$1.5M threshold. No specific items appear to exceed the \$1.5M threshold, but there could be amounts under multi-year contracts which, in total, do exceed the threshold.

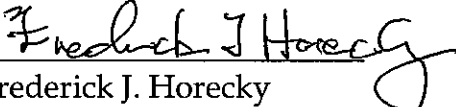
RECOMMENDATION

Based upon the recognition that the FY2020 general plant budget is consistent with that of prior fiscal years, subject to GPA's ability to carry out the capital improvement projects using internally-funded dollars, the Administrative Law Judge recommends that the PUC approve the proposed FY2020 \$23,780,278 Ceiling Cap.

GPA's FY2020 Internally funded CIP ceiling cap, consisting of general plant and engineering projects in the amount of \$23,780,278, should be approved. Such CIP cap is reasonable, prudent and in the interest of the ratepayers.

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

Dated this 16th day of September, 2019.


Frederick J. Horecky
Administrative Law Judge