

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

GPA DOCKET 13-05

GUAM POWER AUTHORITY'S
REQUEST TO PROCURE EQUIPMENT
FOR DIESEL RICE MACT
COMPLIANCE AND TO APPROVE
ENVIRONMENTAL PROGRAM
PROJECT FOR DIESEL UNITS

ORDER

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon Guam Power Authority's ["GPA"] Petition for Approval of Procurement of Equipment for Diesel RICE MACT Compliance and for approval of Environmental Program Project for Diesel Units.¹

BACKGROUND

2. GPA currently operates and maintains 10 diesel peaking units, located at the Tenjo, Talofofo and Manenggon power plants, where power is generated by reciprocating internal combustion engines (RICE) which burn diesel fuel.²
3. GPA asserts that these diesel engines are subject to U.S. EPA RICE MACT rules, which require compliance with emissions standards by May 3, 2013.³
4. The RICE MACT standards call for a significant reduction of carbon monoxide (CO) emissions.⁴ The standards require all Diesel Engines greater than 500 hp to emit less than 23 ppm Carbon Monoxide.⁵
5. GPA is expected to add Oxidation Catalysts to the exhaust streams.⁶ GPA has obtained a one-year extension from the U.S. EPA for compliance with the RICE MACT rules until May 3, 2014.

¹ GPA Petition for Contract Review of Request to Procure Equipment for Diesel RICE MACT Compliance and to Approve Environmental Program Project for Diesel Units, GPA Docket 13-05, filed May 17, 2013.

² Id. at p. 1.

³ Id.

⁴ Id.

⁵ Id., Environmental Strategic Plan (ESP) Addenda February 2013, at p. 4.

⁶ Id.

6. GPA has also commissioned TRC Environmental Corporation (TRC) to negotiate with catalyst and smoke stack vendors to provide the required equipment and materials.⁷ TRC prepared a bid package, including equipment specifications and site drawings, and requested proposals from four potential vendors. Three proposals were received, and TRC recommended that the necessary equipment be procured from Miratech.⁸
7. TRC's recommendation that Miratech be selected was based upon certain factors, including the dimensions of Miratech's equipment, the delivery time for the units, and Miratech's length of catalyst warranty.⁹
8. The approximate cost of the catalysts and smoke stacks for the ten diesel peaking units is \$1,495,000.00. GPA believes that the additional costs to modify existing structures and civil works are expected to be approximately \$4M.¹⁰
9. In Resolution No. 2013-28, the CCU approved the procurement of equipment for Diesel RICE MACT compliance and authorized GPA to petition the PUC for approval of its Environmental Program Project.

DETERMINATIONS

10. PUC adopts the opinion of Lummus Consultants, set forth in its Letter Opinion, that GPA has limited options for meeting the RICE MACT standards for the diesel peaking units.¹¹
11. The diesel units included in the Petition are important assets for maintaining reliability of the electrical system and therefore eliminate the retirement or long-term layup options.¹²

⁷ Consolidated Commission on Utilities Resolution No. 2013-28, Resolution to Procure Equipment for Diesel RICE MACT Compliance and to Petition PUC to Approve Environmental Program Project, issued May 15, 2013.

⁸ Id. at p. 1; See also TRC Report Re: Equipment Bid Evaluation-Diesel Oxidation Catalyst Retrofits (Guam Power Authority Tenjo, Talofoto, and Manenggon Generation Stations, TRC Project No. 196140), dated May 14, 2013 and attached to GPA's Petition for Contract Review in this Docket.

⁹ Id. at p. 2.

¹⁰ GPA Petition for Contract Review of Request to Procure Equipment for Diesel RICE MACT Compliance and to Approve Environmental Program Project for Diesel Units, filed May 17, 2013, at p. 2.

¹¹ Lummus Consultants Review of GPA Docket 13-05, filed May 23, 2013, at p. 2.

¹² Id.

12. The competitive evaluation conducted by TRC of alternative equipment suppliers appropriately considered important factors such as delivered equipment costs, warranties, sound attenuation, pressure drop, and other factors.¹³ GPA concurred with the selection of Miratech as the most qualified supplier.
13. However, at the present time, GPA has not submitted sufficient details or documentation for the PUC to be able to rule on the reasonableness of the remaining \$4M to modify existing structures and civil works.
14. GPA has demonstrated a need to proceed expeditiously to obtain the necessary equipment for meeting the RICE MACT standard for the diesel peaking units. The expenditure of \$1.495M for equipment purchases for RICE MACT compliance should be approved.

ORDERING PROVISIONS


After careful review and consideration of the above determinations, the GPA Petition for Contract Review, Lummus Consultants' Review of GPA Docket 13-05, the PUC Counsel Report, and the record herein, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's Request to procure equipment for Diesel RICE MACT Compliance is hereby approved.
2. GPA may purchase oxygen catalysts, smoke stacks and other applicable equipment for the diesel units specified in the petition.
3. GPA is authorized to expend up to the amount of \$1.495M for such equipment purchase.
4. PUC will not rule, at the present time, upon GPA's request for approval of the Environmental Compliance Program in an approximate amount of \$4M to modify existing structures and civil works. The ruling on such request will be made upon provision by GPA to the PUC of appropriate details and documentation.
5. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of the PUC's regulatory fees and


¹³ Id.

expenses is authorized pursuant to 12 GCA §12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

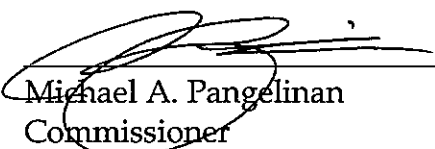
Dated this 28th day of May, 2013.




Jeffrey C. Johnson
Chairman




Rowena E. Perez
Commissioner



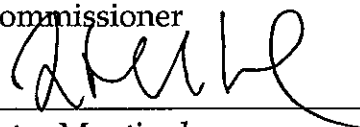
Michael A. Pangelinan
Commissioner



Joseph M. McDonald
Commissioner



Filomena M. Cantoria
Commissioner



Peter Montinola
Commissioner