

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 18-06
)
The Application of the Guam Power for) ORDER
Approval of Phase II Renewable)
Acquisition.)
_____)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [PUC], through its Acting Chairman Andrew L. Niven, upon the Petition of the Guam Power Authority ["GPA"] for Approval of the Phase II Renewable Acquisition Award to KEPCO-LG CNS Consortium.¹
2. GPA proposes to enter into a contract with Korean Electric Power Company ["KEPCO"]- LG CNS for the construction of two 30MW solar PV projects in Sasajyan, Mangilao. Under the contract, GPA will purchase roughly 150,000 MWH Net Annual Generation at a price of \$85.50 per MWH.²

BACKGROUND

3. On June 26, 2014, the PUC authorized GPA to solicit competitive bids for up to 40MW of renewable energy in its Phase II Renewable Acquisition.³
4. In May 2016, GPA announced its Multi-Step Bid GPA-070-16 for 60MW of Renewable Energy Capacity with Energy Storage System for ramp control.⁴
5. GPA obtained price bids in January 2017 and determined that it wished to award renewable energy resource contracts up to 120MW. GPA felt that the increase in

¹ GPA Petition for Approval of the Phase II Renewable Acquisition Award to KEPCO-LG CNS Consortium, GPA Docket 18-06, filed January 24, 2018, at p. 1.

² Guam Consolidated Commission on Utilities, Resolution No. 2018-01, Resolution Relative to Approval of the Phase II Renewable Energy Acquisition Award to KEPCO-LG CNS Mangilao Solar, LLC., for 60MW of Renewable Energy Capacity, adopted January 23, 2018, at Exhibit A.

³ PUC Order, Procurement of Phase II Renewable Acquisition, GPA Docket 14-11, dated June 26, 2014, at p. 3.

⁴ GPA Petition for Approval of the Phase II Renewable Acquisition Award to KEPCO-LG CNS Consortium, GPA Docket 18-06, filed January 24, 2018, at p. 1.

Megawatt power for award was justified because of the favorable price of solar power in comparison to fuel oil generated power under LEAC.⁵

6. Two bidders, KEPCO-LG CNS and Hanwa were selected to provide two plants each, or 60 MW, totaling 120MW of solar PV capacity.⁶
7. Based upon prices which range from roughly \$65 to \$85 per MWH of generation, GPA has determined that it is advisable to procure 120MW of renewable solar PV energy. Each contract will have a 25-year term with an annual escalator of 1% on renewable energy price
8. GPA intends to pay for the energy produced by the KEPCO 60MW plant through the Levelized Energy Adjustment Clause, which means that the cost of solar power purchased by GPA under the contract will be included in the fuel cost used to determine the customer LEAC rates.
9. The contract will require the installation of 32MW/32MWH ESS for Ramp Rate Control. Under the proposed Interconnection Agreement, KEPCO will be required to install various transmission lines and relays at substations.
10. On January 23, 2018, the CCU approved the award of two 30MW proposals, totaling 60MW for Phase II Renewable Acquisition projects, to KEPCO-LG CNS and authorized GPA to seek contract review approval for the projects with the PUC.⁷
11. PUC Counsel filed his Report herein on February 19, 2018, which Report is adopted by the PUC.

DETERMINATIONS

12. GPA has considerably increased the amount of renewable energy resources that it now intends to include within the island wide power system. The driver for such

⁵ PUC Counsel indicates that he had discussions with GPA Counsel Graham Botha and Assistant GM John Cruz in January or February of 2017 concerning the interest of GPA in procuring 120 MW of additional solar power in Phase II of the Renewables Program.

⁶ GPA Petition for Approval of the Phase II Renewable Acquisition Award to KEPCO-LG CNS Consortium, GPA Docket 18-06, filed January 24, 2018, at p. 1.

⁷ Guam Consolidated Commission on Utilities, Resolution No. 2018-01, Resolution Relative to Approval of the Phase II Renewable Energy Acquisition Award to KEPCO-LG CNS Mangilao Solar, LLC., for 60MW of Renewable Energy Capacity, adopted January 23, 2018, at p. 1.

increase appears to be the lower price for renewable energy as compared with traditional fossil fuel energy.

13. Renewable energy is “an effective hedge against rising fuel oil prices.” As the Commission has witnessed in recent LEAC proceedings, fuel prices have been increasing.
14. The KEPCO-LG CNS proposals should provide substantial savings to GPA over the term of the contracts based on current and projected LEAC rates.⁸
15. Public Law 29-62 set certain “Renewable Portfolio Standards”, which required GPA to establish portfolio goals, *inter alia*, of twenty-five percent (25%) of its net electricity sales by December 31, 2035.⁹
16. With its proposed 120MW of solar energy, it appears that GPA will greatly exceed the legislative renewable portfolio standards. It is anticipated that, by 2020, 26% of GPA’s sales will be through renewable energy production.¹⁰
17. Furthermore, the energy prices under the renewable energy contracts are fixed with escalations of no more than the 1% annually.¹¹
18. The PUC will continue to review the policy of including the cost of renewable energy produced by the KEPCO and other solar plants as a LEAC cost. Inclusion of these costs in the LEAC does increase the amount of the LEAC factor which ratepayers must bear.
19. GPA must continue to justify amount of generation capacity which it has procured. With over 200MW of solar energy proposed, new generation of 180MW, and 400MW of existing fossil fuel energy resources, there is an issue of whether there is an excess of needed power production resources.
20. GPA will need to justify the total mix of energy resources that it is proposing, and that it is not procuring more generation capacity than necessary.

⁸ Id.at Exhibit D.

⁹ Public Law 29-62 enacted March 25, 2008, Section 2 (12 GCA §8311).

¹⁰ Guam Consolidated Commission on Utilities, Resolution No. 2018-01, Resolution Relative to Approval of the Phase II Renewable Energy Acquisition Award to KEPCO-LG CNS Mangilao Solar, LLC., for 60MW of Renewable Energy Capacity, adopted January 23, 2018, at Exhibit D.

¹¹ Id. at p. 2.

21. With regard to the proposed contract with KEPCO, there are new provisions which require energy storage and ramp control. It is desirable that GPA will require KEPCO to provide energy storage facilities enabling the shifting of solar energy to peak hour use.
22. In general, the proposed contract is based upon earlier renewable energy contracts and provides numerous provisions that protect GPA and its ratepayer interests in the event of contractor default. The provisions appear to be standard and commercially reasonable.

ORDERING PROVISIONS

Pursuant to 12 GCA Sec. 12105 (b), the Commission, through its Acting Chairman, upon consideration of the record herein, the Petition of GPA, the PUC Legal Counsel Report, and for good cause shown, hereby **ORDERS** that:

1. The Petition of the Guam Power Authority ["GPA"] for Award of the Phase II Renewable Acquisition Contract for two 30MW plants to KEPCO-LG CNS Consortium is approved.
2. GPA shall file a copy of the final executed contract with the PUC.
3. This Order is subject to ratification by the PUC at its next meeting.
3. 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 PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 22nd day of February, 2018.

Andrew L. Niven
Acting Chairman