

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF:	)	
	)	GPA Docket 18-17
	)	
The Application of the Guam Power Authority to Approve the FY2019 GPA CIP Ceiling Cap	)	PUC COUNSEL REPORT
	)	
	)	

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**INTRODUCTION**

This matter comes before the Guam Public Utilities Commission [PUC] upon GPA’s Petition for Request for Approval of FY2019 GPA CIP Ceiling Cap.<sup>1</sup> Therein, GPA requests PUC approval of its FY2019 Capital Improvement Project Cap in the amount of \$22,022,011, which consists of General Plant (\$19,614,087) and Engineering (\$2,407,924).<sup>2</sup> GPA’s proposed FY2019 Ceiling Cap also includes \$4,451,434 for Line Extensions. However, pursuant to the GPA Contract Review Protocol, regulatory review is not required for blanket job orders and line extensions.<sup>3</sup> The Guam Consolidated Commission on Utilities [CCU] approved the FY2019 Capital Improvement Project Ceiling Cap.<sup>4</sup>

**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 15<sup>th</sup> of each fiscal year.<sup>5</sup>

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),

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<sup>1</sup> GPA Petition for Contract Review (Application to Approve the FY2019 GPA CIP Ceiling Budget), GPA Docket 18-17, filed September 14, 2018.

<sup>2</sup> Id. at p. 2.

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

<sup>4</sup> Guam Consolidated Commission on Utilities (CCU) Resolution No. 2018-19, Relative to the Adoption of a Budget for the Guam Power Authority for Fiscal Year 2019, adopted September 6, 2018.

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

appliances, and other miscellaneous items.<sup>6</sup> The “engineering” expenditures are for projects such as Tank Farm Pipeline Upgrade, Network Communication, Fiber to All Substations, Primary Underground and Secondary Hybrid Conversion, and other projects.

The Contract Review Protocol does not require that GPA provide justifications for the items listed under General Plant.<sup>7</sup> 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.<sup>8</sup>

### ANALYSIS

This year’s requested cap includes some large “plant” items: (1) Digger, \$1,033,998 (carryover from FY2018); (2) E1 Software Implementation, \$1,000,000; (3) 3 each 55 ft. bucket trucks; (4) SF 6 Circuit Breaker Upgrades, \$685,620 (carryover from FY2018); (5) Unit 2 Burner front components renovation, \$550,000; (6) Main Generator Overhaul, \$543,678 (carryover from FY2018); (7) existing Water Treatment Facilities Upgrade to RO +EDI System; (8) 1 each mobile truck crane 40 ton, \$500,000; (9) Lobby Kiosks for Customer Payments, \$459,600 (carryover from FY2017); (10) Design and rebuilt of Yigo CT water, \$450,000 (carryover from FY2018); (11) No. 4 Feed Water Heater Replacement, \$400,000.<sup>9</sup>

The prior year cap levels were as follows:

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.

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<sup>6</sup> GPA Petition for Contract Review (Application to Approve the FY2019 GPA CIP Ceiling Budget), GPA Docket 18-17, filed September 14, 2018, Exhibit (A).

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

<sup>8</sup> Discussion between PUC Counsel and GPA Legal Counsel on September 15, 2017.

<sup>9</sup> GPA Petition for Contract Review (Application to Approve the FY2019 GPA CIP Ceiling Budget), GPA Docket 18-17, filed September 14, 2018, Exhibit (A).

FY2011 Cap: \$5M.<sup>10</sup>  
FY2010 Cap: \$16,390,707.<sup>11</sup>

The proposed FY2019 CIP cap, \$22,022,011, exceeds the FY2018 cap 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 dramatically in recent years.

However, a closer examination of the numbers indicates that, in fact, the cap has not really been increasing. Exhibit A, attached hereto, is a breakdown of the CIP Ceiling Caps for FY 2017, 2018, and proposed 2019.<sup>12</sup> The Proposed CIP Ceiling Cap for FY 2019 indicates that \$6,176,661 of this year's Ceiling cap is **carryover** amounts. What this means is that projects costing that amount were simply carried over from prior year ceiling caps. GPA's Exhibit (A) to its Petition, which lists the General Plant expenditures, includes 16 projects which were carried over to 2019 from 2017 and 2018.

With regard to the proposed engineering projects for FY2019, with a cap of \$2,407,924, \$1,363,924 is from FY2018 carryover projects. 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 Tank Farm Pipeline Upgrade, \$676,465; Network Communication, Fiber to All Substations, \$350,000; and Primary Underground and Secondary Hybrid Conversion, \$189,574.<sup>13</sup>

GPA will need 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.

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<sup>10</sup> PUC Order, GPA Docket 13-16, dated October 29, 2013, at pgs. 1-2.

<sup>11</sup> PUC Order, GPA Docket 10-05, dated October 29, 2010, at pg. 1.

<sup>12</sup> This breakdown was provided to PUC Counsel on September 19, 2018, after a conference call between GPA CFO John Kim, GPA Counsel Graham Botha, and PUC Counsel Fred Horecky.

<sup>13</sup> GPA FY2019 Approved Engineering Projects (Revenue Funded), attached hereto as Exhibit B.

**RECOMMENDATION**

Based upon the recognition that the FY2019 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, Counsel recommends that the PUC approve the proposed FY2019 \$22,022,011 Ceiling Cap.

GPA's FY2019 Internally funded CIP ceiling cap, consisting of general plant and engineering projects in the amount of \$22,022,011, 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 24th day of September, 2018.

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Frederick J. Horecky  
PUC Legal Counsel