

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:)

GPA DOCKET 19-10)

THE APPLICATION OF THE GUAM)
POWER AUTHORITY TO INCREASE)
THE COST OF ITS UTILITY ENERGY)
SERVICE CONTRACT WITH SIEMANS)
INDUSTRY, INC.)

PUC COUNSEL REPORT

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Petition of the Guam Power Authority [“GPA”] to increase the cost of its Utility Energy Service Contract with Siemans Industry, Inc [Siemans].¹
2. GPA’s Utility Energy Service Contract was awarded to Siemans on May 15, 2017 and has an initial term of five years beginning June 1, 2017, with an optional renewal for five additional years.
3. GPA is requesting the PUC’s authorization to increase the costs of its Utility Energy Contract with Siemans to \$1,933,000.²

BACKGROUND

4. Under the GPA/Siemans Utility Energy Service Contract, Siemans was to provide technical assistance to several of GPA’s Demand Side Management Programs and Energy Service Contract Activities and the first project Siemans worked on was to provide energy efficient programs for the University of Guam Sea Grant Office for the amount of \$12,274, paid for using GPA Demand Side Management Funds, and Siemans completed this project.³

¹ GPA Petition to increase the cost of its Utility Energy Service Contract with Siemans Industry, Inc., GPA Docket 19-10, dated June 24, 2019 [GPA’s Petition].

² Id. at line 17, page 1.

³ GPA/Siemans Contract attached as Exhibit A to Consolidated Commission on Utilities [CCU] Resolution No. 2019-08, attached to GPA’ Petition, at page 1, and CCU Resolution No. 2019-08 at page 1 and Exhibit C.

5. GPA tasked Siemens to conduct a feasibility study on Guam Department of Education [GDOE] Schools for energy efficiency and renewable projects and to conduct a pilot project demonstrating cost savings through these programs for the amount of \$500,000, paid for using savings from GPA's bond financing, and Siemens completed the study and began the pilot project.⁴
6. While working on the GDOE feasibility study, GPA, GDOE, and Siemens collaborated and developed grant proposals for several lighting retrofit projects at various GDOE schools and submitted them to the U.S. Department of the Interior [U.S. DOI] and in September, 2019, it awarded GPA a \$1,200,000 grant for lighting retrofit projects for George Washington High School [GWHS] and Southern High School [SHS], and the amounts of \$295,315 and \$954,685 of this grant were earmarked for Siemens under the Utility Energy Service Contract for the GWHS and SHS respectively, these projects were to begin in June, 2019, and these amounts were to be paid using the grant funds.⁵
7. The Guam Energy Office [GEO] requested that GPA execute a portion of GEO's grant for Smart Energy Schools in which GPA was to provide energy audits and conference support to educate schools on the smart use of energy. GPA earmarked the amount of \$61,100, from GEO's grant funds, to Siemens under the Utility Energy Service Contract for this project.
8. GPA and Siemens submitted an application for an Electric School Bus Pilot Project grant and GPA expected to be awarded this grant in May, 2019. Should this award occur, GPA anticipates it will pay Siemens the amount of \$110,000 from this grant for work Siemens will provide under the Utility Energy Service Contract.⁶
9. On May 28, 2019, the CCU authorized GPA to petition the PUC for the approval to expend up to \$1,933,374 under the GPA/Siemans Utility Energy Service Contract.⁷

⁴ Id.

⁵ CCU Resolution 2019-07 at page 1 and Exhibit C.

⁶ Id.

⁷ CCU Resolution 2019-07 at page 1.

ANALYSIS

10. GPA's Contract Review Protocol states that for multi-year procurements with fixed terms and variable annual costs, GPA shall seek PUC approval of the procurement if the aggregate cost estimate for the entire term of the procurement exceeds its \$1,500,000 review threshold.⁸
11. Here, GPA did not seek prior PUC approval of this contract because at the time of its award, its aggregate cost estimate did not exceed the contract review threshold of \$1,500,000.
12. However, as set forth above, the cost of the contract reached the PUC's contract review threshold in two years. The cost of the projects that Siemens has completed under the contract is currently \$512,274. Siemens' portion of the grant funded projects that GPA has been tasked with or awarded which Siemens will be undertaking pursuant to the contract will increase the contract's cost to \$1,823,374 and this cost will increase to \$1,933,374 if GPA is awarded the Electric Bus Pilot Project grant it applied for.
13. Hence, pursuant to GPA's Contract Review Protocol, GPA must now seek the PUC's approval because the contract's projected costs have exceeded the \$1,500,000 contract review threshold by \$323,374 for the grant funded projects that GPA has been tasked with or awarded, and this amount will grow to \$433,374 if GPA is awarded the Electric Bus Pilot Project grant.
14. Due to the fact that Guam's population is expected to increase due to the military build-up which is currently underway, Demand Side Management Programs such as those which Siemens is working on under the contract will become increasingly important to keep the costs of operating the Island wide Power System down by decreasing the demand for electricity. Further, GDOE is one of the Government of Guam's largest consumers of energy and the Demand Side Management Programs that Siemens is working on will likely go far in making GDOE less energy dependent through energy efficiency.

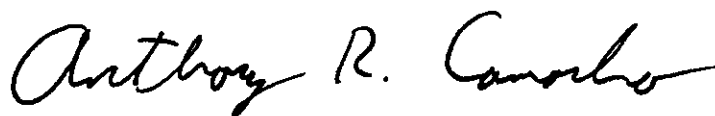
⁸ PUC Order, Administrative Docket, Contract Review Protocol for GPA, at page 2.

15. It is also important to note that despite a total contract price of \$1,823,374 or \$1,933,374, GPA is only expending, approximately, the amount of 523,374 or \$633,374 of its own funds because it will be using approximately \$1,300,000 of grant funds to pay for Siemens' services under the contract.
16. GPA's request is reasonable, prudent and necessary.

RECOMMENDATION

17. Counsel recommends that PUC approve GPA's expenditure of up \$1,933,374 for the GPA/Siemans Utility Energy Service Contract.
18. A proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 22nd day of July, 2019.



Anthony R. Camacho, Esq.
PUC Legal Counsel