

**GUAM PUBLIC UTILITIES COMMISSION
SPECIAL MEETING
JUNE 11, 2012
SUITE 202, GCIC BUILDING, HAGATNA**



MINUTES

The Guam Public Utilities Commission [PUC] conducted a special meeting commencing at 6:30 p.m. on June 11, 2012, pursuant to due and lawful notice. Commissioners Johnson, McDonald, Perez, and Pangelinan were in attendance. The following matters were considered at the meeting under the agenda made *Attachment "A"* hereto.

1. Approval of Minutes

The Chairman announced that the first order of business was approval of the minutes of the meetings conducted on April 11, 2012, and May 7, 2012. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the minutes subject to correction.

2. Guam Power Authority

The Chairman announced that the next order of business was GPA Docket 10-08, GPA's Petition for Approval of the Performance Management Contract for the Management of the GPA Fuel Farm Bulk Storage Facility, PUC Counsel Report, and Proposed Order. Counsel indicated that GPA previously issued a number of requests for proposals on this matter. The Fuel Farm Facility is comprised of two large tanks next to Cabras 1 & 2 that hold approximately 265,000 barrels of fuel. The original intent of the RFPs was to find a contractor that would completely takeover the management and operation not only of the fuel tanks but also the fuel lines that go to the individual plants.

However, when GPA received proposals in response, the costs were, in its opinion, too high (over \$1M). GPA then decided to request proposals again, staying with the traditional model of the former operator of the Fuel Farm, which was Petera Inc. Petera had managed the fuel tank farm for a number of years. Under the established arrangement, GPA was still responsible for the cost of improving and repairing the pipes, the tanks and facilities. Such will be the case under the new contract; however repairs up to \$5,000.00 are the responsibility of the contractor.

Thus, the PUC is now asked to approve a contract which is in the nature of the traditional fuel farm management contract that has been before it on a number of occasions. The cost for the contract is approximately \$675,000.00 per year. GPA

also accepts an option of additional insurance coverage; the total cost for the contract in this case would be about \$2.151M over a three year period. GPA did issue a competitive request for proposals; it has determined that Vital Energy Inc. is the most qualified and the lowest responsive bidder. The contract has a term of three years, with two additional one year terms upon the mutual consent of the parties.

Counsel indicated that, in his Report, he outlined numerous responsibilities of the contractor, which are broad; they include such matters as environmental compliance, fuel inventory, membership in an oil spill response group and many others. GPA does need a contractor for the Fuel Tank Farm. It has exercised due diligence in the awarding of the contract. Counsel recommends that the PUC approve GPA's Petition for award of the Performance Management Contract for the Management, Operation and Maintenance of the GPA Fuel Farm Bulk Storage Facility to Vital Energy, Inc.

Commissioner Perez asked whether this is a new company that GPA would be dealing with. Counsel responded that it would be. GPA General Manager Flores indicated that there would be some familiar officials within the company. Commissioner Pangelinan asked whether the initial bid had to be amended. GM Flores indicated that this was the fourth time that GPA had gone out to procure this management contract because the scope had to be trimmed. GPA simply issued a new RFP, which is now before the Commission. Commissioner Pangelinan confirmed that there had been no protests by any of the companies.

Commissioner Perez asked what the cost difference was between this contract and the previous contract. Ms. Melinda Camacho, Assistant General Manager of Operations, indicated that this contract had a decrease in cost over the three years. GPA Counsel Graham Botha indicated that the current contract was a slight decrease from previous month-to-month arrangement with Petera. AGMO Camacho further indicated that, before the month-to-month arrangement, the cost of the contract now is close to the contract price for the prior contract. Upon motion duly made, seconded and unanimously carried, the Commissioners approved GPA's Petition for Award of the Performance Management Contract for the Management, Operation, and Maintenance of the GPA Fuel Farm Bulk Storage Facility to Vital Energy, Inc. The Commissioners adopted and approved the Order made *Attachment "B"* hereto.

3. TeleGuam Holdings LLC

The Chairman announced that the next item on the Agenda was GTA Docket 11-14, Joint Application of TeleGuam Holdings and Pulse Mobile to transfer Pulse's Eligible Telecommunications Carrier Certificate to TeleGuam, Chairman's Order, and Counsel's Request for Ratification. Counsel indicated that GTA had previously come before the Commission to request approval of a large scale

corporate reorganization where basically all subsidiary companies would be folded into TeleGuam Holdings. TeleGuam would become the main operating company. At that time, GTA had moved to transfer TeleGuam's Certificate of Authority to TeleGuam and. However, GTA merely omitted to include in its Petition that the ETC Certificate of Pulse Mobile would also be transferred to TeleGuam. This additional Joint Application serves to correct that omission: the transfer of the ETC of Pulse to TeleGuam. The Chairman signed an order on May 25, 2012, approving the transfer of Pulse's ETC to TeleGuam. Counsel asks the Commissioners ratify that Order. Upon motion duly made, seconded and unanimously carried, the Commissioners ratified the Chairman's Order dated May 25, 2012 (approving the transfer of Pulse Mobile's ETC Certificate to TeleGuam Holdings).

4. Guam Power Authority

The Chairman indicated that the next item of business is GPA Docket 10-09, Petition for Approval of an Increase in the Amount of Bond Funds allocated to the Ambient Quality Monitoring Project, PUC Counsel Report, and Proposed Order. Counsel indicated that this matter only involved the increase of the amount of funds under the contract that GPA will pay for these environmental services to TOC Environmental Corporation. The services under this contract involve examination of the various plants and determinations as to whether they can be changed from "non-attainment" to "attainment" areas. There are also issues concerning environmental monitoring of emissions from the plants, fuel switching procedures, and other similar matters. The Commission has already fully approved the contract with TRC Corporation.

This is a five year contract; the PUC initially authorized GPA to expend \$313,000 for contract startup costs. Now GPA asks for an increase expenditure authority up to \$1.5M. This amount will cover the ambient air quality monitoring project for the first contract year. There are important issues regarding environmental compliance under this contract. GPA has justified its request for an increase in the contract amount. Counsel recommends that the PUC approve the application and increase the amount of authorized bond fund expenditures up to \$1.5M for the first contract year. Upon motion duly made, seconded and unanimously carried, the Commissioners authorized GPA to expend up to \$1.5M in bond funds for the first year of its contract with TRC Corporation and approved the Order made *Attachment "C"* hereto.

The Chairman announced that the next item on the Agenda was GPA Docket 11-12, Filing of Renewable Energy Purchase Agreement between GPA and Quantum Guam Power, LLC, Counsel Report, and Proposed Order. Counsel indicated that, previously, the PUC had approved this renewables procurement and contract form, but required that the actual contract be brought before the

Commission when completed. GPA has now entered into a full, detailed contract agreement with Quantum. This well drafted contract sets forth the relationship between GPA and Quantum. GPA has been successful in shifting most of the risk for this project, a 20 megawatt Solar Project, to the contractor. The contractor must supply the land and is responsible for performance guarantees under the contract. If the contractor doesn't perform in accordance with the contract, there are damage penalties,

GPA primarily purchases power from the contractor. This is a purchase power agreement where GPA buys back solar power from Quantum. GPA does have to assure that there are proper interconnections between the Quantum Solar plant in Talofofo and the GPA grid. GPA must ensure that its system can handle the new load that will go into the substation from Quantum. A substantial portion of the costs for these improvements will be borne by Quantum, in the area of \$9M. The second solar project that comes online later will also be required to bear a portion of the interconnection costs. Previously the PUC approved the contract, subject to certain conditions being met: that the interconnection study be completed and secondly, that Quantum agreed to the conditions that were placed upon it.

Since the last PUC Order, GPA has completed the interconnection study with the assistance of its PMO R.W. Armstrong. In a letter from Quantum in the record also indicates that it agrees to pay the amounts requested and to comply with all matters set forth in the separate interconnection agreement. All of the conditions of the prior PUC Order have been satisfied. GPA needs to finalize this project because it is required, under existing legislation, to meet certain portfolio standards for renewable energy (5%) by 2015. Further, the R.W. Beck study indicated that there shouldn't be any impacts from the addition of this Quantum Plant power upon GPA's system that it can't handle. The Commission should approve the Contract with Quantum Guam Power LLC for the 20-megawatt Solar Plant and find that the prior conditions of the PUC Order have been satisfied.

The Chairman asked whether the cost that GPA would incur from purchasing power from Quantum would be passed on at the same level to consumers. GM Flores stated his belief that the previous PUC Order allowed GPA to recover that cost. Thus, there is an offsetting fuel component with the solar energy; it's nineteen (19) cents for the first year and up to 22 cents in year 25. The Chairman next asked about the status of the second anticipated solar contract with Pacific Green Resources. GM Flores indicated that GPA hoped to have the contract before the PUC by its July session, or at the latest, by August. The Chairman clarified that, even with the addition of these two solar plants, GPA would only reach 2% on the portfolio standard. GM Flores indicated that another tender

would come out after the summer for Phase 2, another 40-50 megawatts of renewable energy.

The Chairman asked whether, at the end of the contract in 25 years, the facility would revert to GPA. GM Flores indicated that GPA has an option to purchase the facility at an appraised value for the asset. GM Flores indicated that Quantum would have to take care of the facility all the way through the end of the contract, not knowing whether GPA would purchase the facility or not. The Chairman asked whether this project involved traditional photovoltaic panels in a large area. GM Flores indicated that the panels were single access so that they have a tilting to follow the sun, with just one access not two. The panels are polycrystalline PV panels. The Chairman further asked whether the company had plans for mitigation and protection during storms, typhoons. GM Flores indicated that Quantum is confident that it can build the panels to withstand storms. The Chairman clarified that Quantum has 100% of that risk. Upon motion duly made, seconded and unanimously carried, the Commissioners approved GPA's Contract with Quantum Guam Power LLC for the 20-megawatt Solar Plant and adopted the Order made *Attachment "D"* hereto.

The Chairman indicated that the next item of business for GPA was GPA Docket 11-13, Petition for Review and Approval of Electric Smart Meter and Advanced Meter Construction, AMI Contract for the Smart Grid Project, Counsel Report and Proposed Order. Counsel indicated that the Commission had previously established that Smart Grid projects should be "fast-tracked" because of the federal requirements for progress under the U.S. Department of Energy. The Commission had approved all bond funds requested for the Smart Grid Project. Furthermore, the procurement of the Smart Grid projects need not be approved by the PUC; GPA is only required to bring the final contract before the Commission for approval. The contract now before the Commission is for electric smart meters and advanced meter infrastructure with Landis & Gyr Technologies.

The total amount of this contract will be \$9,759,000. This is likely the most expensive element in the whole Smart Grid Project, but the most integral. Without approval of this meter contract, GPA could simply not proceed with the project at all. This is a critical element to the project. Landis & Gyr was selected in a competitive bid. It is a well-known national company that supplies meters. GPA's Evaluation Committee evaluated Landis & Gyr to be the most qualified bidder. L&G will supply 52,500 electric smart meters, including collectors and standard routers. There's a schedule developed by the parties which anticipates a 24-month project management period. L&G will provide many services under the contract, including technical support, software installation, configuration, interface development, report writing, support services and a broad range of other services. In light of the commitment of the PUC to the Smart Grid Project,

it is important to expedite this contract so that GPA can maintain the federal grant funds that have been given to it by the U.S. Department of Energy. Counsel recommended that the Commission approve an expenditure of up to \$9.759M for this contract, and that the contract with Landis & Gyr Technologies, LLC, be approved. The AMI Infrastructure is critical for the success of the overall project.

Commissioner Perez asked whether GPA had received the funds for this project already. GM Flores indicated that funds had not been received for this project; the grant funds are on a reimbursable basis. Mr. Chris Britton of Black & Veatch indicated that this project was the single largest component of the Smart Grid Project. GM Flores indicated that this contract would complete the meter-to-cash Smart Grid initiative. The Chairman confirmed that the meters being purchased could be read in the traditional fashion with the meters, meter reader, and cyclometers with digits. The Chairman further asked whether the meters had been thoroughly tested in hot and humid tropical environments such as Guam's. Mr. Chris Britton of Black & Veatch indicated that there has been testing in other areas on the equator, such as the Florida Keys, the Panhandle, parts of Texas, the Philippines and Singapore.

The software components have been in the market for several years in the million meter class range. The meter is well rated. Commissioner Perez confirmed that replacement of the meters in homes does not add cost to the consumer. GM Flores indicated that, other than the service rule requirements for service extensions, meters are at no charge to the customers already. For permanent service there is no charge to the customer. GPA officials indicated that the system was secure and difficult for individuals to engage in physical tampering with the meters. Upon motion duly made seconded and unanimously carried, the Commissioners authorized GPA to expend up to \$9.759M for the Smart Meters and AMI Infrastructure with Landis & Gyr Technologies, LLC. The PUC adopted the Order made *Attachment "E"* hereto.

Commissioner McDonald then brought up the issue of general service rates, and whether there's a monthly charge for general service demand. GM Flores indicated that there was a customer charge which is a flat fee. There is a demand charge if it's a demand meter customer. And, then there's the energy block, which primarily is blocked with a tail block. Commissioner McDonald stated that he was specifically looking for the three-phase demand. GM Flores indicated that the three-phase demand meters do have a monthly charge. It's a demand charge for whatever ratcheted demand is prevalent for the last 12 months. Commissioner McDonald indicated that he had been receiving feedback in the community that that specific charge is sometimes bigger than the monthly charge, anywhere from 195 to 220. GM Flores indicated that he would take a look at that specifically and that he would look at specific accounts if

Commissioner McDonald had that information. Commissioner McDonald indicated that, for an unrented warehouse, the monthly charge is \$18.00 per month, now, it's going to be \$240.00 per month, just because the power is on. This is a commercial warehouse. Commissioner Flores indicated that he would examine that further. Commissioner McDonald indicated that it was general service demand, Schedule J. The Chairman asked that this matter be examined further at the next meeting.

5. PUC Website

The Chairman announced that the next matter for consideration was the Preliminary Contract with Ideal Advertising and Administrator's Report. The Administrator indicated that she had met with Ideal and PUC had written a letter to the prior provider, Ninth Design, requesting that they work with Ideal to give them access necessary to transfer material from the old site to the new site, file dumps and equivalent material. That process is in progress now. After completion of that, she will meet with Ideal again in a week or so to go onto the next phase to have the system worked upon. The Chairman asked whether Ninth Design would transfer our web name. The Administrator answered that it appeared so. Legal Counsel indicated it appeared that PUC would be able to continue to use the "guampuc.com" site and that there were questions about the source code and whether Ideal would be able to get the source codes from Ninth Design.

6. Administrative Matters

The Chairman indicated that the next matter for consideration was the PUC Telecom RFP 11-02, wherein PUC has sought the services of a telecommunications consultant. Legal Counsel indicated that it appears that Slater & Nakamura will be selected contractor. Counsel is still preparing applicable documents. Upon motion duly made, seconded and unanimously carried, the Commissioners moved to approve the selection of Slater & Nakamura as the Telecommunications consultant for the PUC under RFP 11-02.

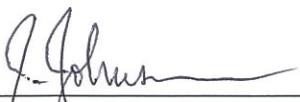
The Chairman indicated that there was one final item for consideration this evening, the Superior Court decision in the pending matter of GWA v. PUC. Counsel recommended that the decision should be referred to ALJ Mair for his report and recommendations as to what course of action the Commission should take next. In reviewing the decision, it appears that, in just about every respect, the court substantiated and sustained the positions of the PUC on the issues. The court upheld the constitutionality of P.L. 30-145. The Court further found that GWA does have an obligation to pay \$20M to the government of Guam and should have paid such amounts out of the 2010 bonds. The court did not sustain the PUC on the issue of whether it had the authority to compel GWA to pay the \$20M to the government. The judge indicated that the PUC's authority was

limited to issuing its "conclusions" as to whether GWA violated the law. The PUC can make conclusions/recommendations to GWA that it paid the \$20M; but the PUC must initiate suit in the Superior Court if it wishes to compel GWA to pay the \$20M.

Before taking any action herein, the Commissioners should await ALJ Mair's review and report. The PUC was merely attempting to enforce the law, and the Judge in fact appeared to affirm just about all of the interpretations that the PUC made. Commissioner Pangelinan asked who would have the standing to pursue this claim to actually enforce the Order. Legal Counsel indicated that the PUC would have such authority. Commissioner Pangelinan further asked whether there would also be taxpayer standing. Legal Counsel Horecky indicated that he thought there would be. The PUC does have the power under 12 GCA §12005 to determine whether the utility is complying with federal and territorial law. The PUC also has the authority to review the use and disposition of bond funds under 12 GCA §12005.

The Commissioner were assured by Counsel that the PUC does have the authority to determine GWA's use of bond funds under the Contract Review Protocol. Legal Counsel indicated that, because GWA might wish to appeal, the Commissioners should await the expiration of the time period for appeal before taking final action. According to Legal Counsel, ALJ Mair does not appear to be recommending an appeal by PUC. Commissioner Pangelinan asked whether, once the Order becomes unappealable, the PUC could take action to enforce it. Legal Counsel indicated that PUC could. Upon motion duly made, seconded and unanimously carried, the Commissioners moved to refer the matter of the Superior Court decision in the GWA v. PUC matter back to the ALJ for review and recommendation.

There being no further business, the Commissioners moved to adjourn the meeting.



Jeffrey C. Johnson
Chairman

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION
SPECIAL MEETING
SUITE 202, GCIC BUILDING
414 W. SOLEDAD AVE. HAGATNA, GUAM
6:00 p.m. June 11, 2012**

Agenda

- 1. Approval of Minutes of April 11, 2012, and May 7, 2012.**
- 2. Guam Power Authority**
 - GPA Docket 10-08, GPA's Petition for Approval of the Performance Management Contract (PMC) for the Management, Operation and Maintenance of the GPA Fuel Farm Bulk Storage Facility, PUC Counsel Report, Proposed Order
 - GPA Docket 10-09, GPA Petition for Approval of an Increase in Amount of Bond Funds Allocated to the Ambient Air Quality Monitoring Project, PUC Counsel Report, Proposed Order
 - GPA Docket 11-12, Filing of Renewable Energy Purchase Agreement with Quantum Guam Power, LLC, PUC Counsel Report, Proposed Order
- 3. Teleguam Holdings LLC**
 - GTA Docket 11-14, Joint Application of Teleguam Holdings, LLC and Pulse Mobile, LLC, to transfer Pulse's Eligible Telecommunications Carrier Certificate ("ETC") to Teleguam Rate Relief, Chairman's Order, and Request for Ratification by Counsel
- 4. PUC Website**
 - Preliminary Contract with Ideal Advertising for Website Services
 - Report by Administrator on status of discussions with Ideal Advertising for Website Services, and progress with website improvement
- 5. Administrative Matters**
 - Counsel Report on Selection of Consultant for PUC Telecommunications Services: RFP 11-02 (PUC Consulting Services regarding Telecommunications); Commission Action
- 6. Other Business**

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

)
) GPA Docket 10-08
)

The Application of the Guam Power
Authority Requesting Approval of the
Performance Management Contract (PMC)
for the Management, Operation and
Maintenance of GPA Fuel Farm Bulk
Storage Facility
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) ORDER

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of Guam Power Authority ["GPA"] for contract review and approval of the Performance Management Contract (PMC) for the Management, Operation and Maintenance of the GPA Fuel Farm Bulk Storage Facility.¹

BACKGROUND

2. On November 29, 2010, The PUC issued an Order approving the Petition of GPA to procure a performance management contract for the fuel bulk storage facility.²
3. GPA issued IFB GPA-030-12 to obtain proposals from potential Performance Management Contractors for the management, operation, and maintenance of the GPA Fuel Farm Bulk Storage Facility.³
4. On March 27, 2012, the Consolidated Commission on Utilities issued Resolution No. 2012-20, which approved the selection of Vital Energy, Inc., as the lowest, most responsive bidder for award of the Performance Management Contract for the Fuel Bulk Storage Facility.⁴

¹ GPA Petition for Review and Approval of the Performance Management Contract for the GPA Fuel Farm Bulk Storage Facility, GPA Docket 10-08, filed April 18, 2012.

² PUC Order, GPA Docket 10-08, issued November 29, 2010, at p. 3.

³ GPA Petition, GPA Docket 10-08, filed April 14, 2012, at p. 1.

⁴ CCU Resolution No. 2012-20, issued March 27, 2012, at p. 1.

5. Under the proposed Contract, Vital will manage, operate and maintain GPA's Fuel Bulk Storage Facility for a period of three years. The fixed management costs will be \$675,273.38 per year, for a total of \$2,025,820.14 for the three year period.⁵
6. GPA also has the option, which it has not yet exercised, to pay additional amounts to Vital for pollution liability insurance (\$5M) and Professional Liability Insurance. If such option is exercised, the total price to GPA over the three year period would be \$2,151,070.10.⁶
7. Under the Contract, Vital will be responsible for the overall management, operation and maintenance of the GPA Fuel Bulk Storage Facility, and to provide fuel oil product transfer and management to GPA facilities and locations as needed. In addition, the scope of services includes a number of other duties, as outlined in the PUC Counsel Report filed herein.⁷
8. The Contractor is responsible for repairs and replacements not exceeding \$5,000.00. However, for repairs and replacement exceeding \$5,000, the Contractor will seek prior GPA approval and then separately bill such expenses monthly to GPA.⁸

DETERMINATIONS

9. Under the current IFB, cost responsibility for repair and renovation of the facility and fuel lines is not entirely shifted to the PMC, but primarily remains with GPA. The contract award to Vital, as the PMC, under IFB GPA-030-12, contains similar duties and responsibilities that have been traditionally performed by previous operators of the Fuel Farm Bulk Storage Facility such as Peterra, Inc.
10. The new monthly cost for the Vital Contract Award is similar to the monthly cost for the prior Peterra Contact.⁹
11. Given the desire of GPA to enter into a cost effective PMC arrangement with Vital, the proposed contract between GPA and Vital for the management, operation and

⁵ CCU Resolution No. 2012-20, EXHIBIT A.

⁶ CCU Resolution No. 2012-20, EXHIBIT A at p. 10.

⁷ PUC Counsel Report, GPA Docket

⁸ Contract Section 6.2, Id. at p. 14.

⁹ Id.; see also CCU Resolution No. 2012-20, EXHIBIT C at p. 11.

maintenance of the GPA Fuel Farm Bulk Storage Facility is reasonable, prudent, and necessary.

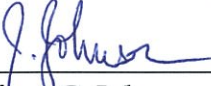
12. Since the prior operator of the Facility, Peterra Inc., did not submit a proposal for the IFB, it is important that the PUC approve the PMC so that Vital can manage, operate and maintain the Facility.

ORDERING PROVISIONS

After careful review and consideration of the above determinations, the Petition of GPA, the Contract for the management, operation, and maintenance of the GPA Fuel Farm Bulk Storage Facility, the Report of PUC Counsel, and the record herein, for good cause shown, and on motion duly made, seconded, and carried by the undersigned Commissioners, the Guam Public Utilities Commission HEREBY ORDERS that:

1. The PUC hereby grants GPA's Petition for the approval of the award of the Performance Management Contract to Vital Energy, Inc., for the management, operation and maintenance of the GPA Fuel Farm Bulk Storage Facility.
2. GPA is authorized to expend up the amount of \$2,151,070.10 for the first three years of the PMC, which price includes optional insurance.
3. GPA shall seek approval for any extension of the PMC with the PUC.
4. 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 §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 11th day of June, 2012



Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner

PUC ORDER
Request for Approval of
PMC for GPA Fuel Bulk Storage Facility
GPA Docket 10-08
June 11, 2012



Joseph M. McDonald
Commissioner



Michael A. Pangelinan
Commissioner

Filomena M. Cantoria
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

) GPA Docket 10-09

)
)
) The Application of the Guam Power
) Authority Requesting Approval of an
) Increase in Amount of Bond Funds
) Allocated to the Ambient Air Quality
) Monitoring Project
)
)

) ORDER

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon Guam Power Authority's ["GPA"] Petition for PUC review and approval of GPA's request to increase the amount of bond funds allocated to the Ambient Air Quality Monitoring Project under the Contract for Environmental Engineering and Technical Services.¹

BACKGROUND

2. On December 15, 2011, the PUC authorized GPA to procure Environmental Engineering and Technical Services; in particular, PUC found that GPA had demonstrated a need to procure services for Ambient Air Quality Monitoring, Air Quality Modeling for purposes related to redesignation of non-attainment areas to attainment areas, evaluation and reporting on fuel switching compliance for plant operations, and other engineering/technical services.²
3. On June 20, 2011, the PUC approved GPA's Contract for Environmental Engineering and Technical Services with TRC Environmental Corporation.³
4. In its June 20, 2011 Order, the PUC authorized GPA to enter into the Contract with TRC, and to expend the negotiated price of \$313,000 for the initial tasks identified in the Contract for the first contract year.⁴

¹ GPA Application Requesting Review and Approval of GPA's Request for an increase in the amount of bond funds allocated to the Ambient Air Quality Monitoring Project, GPA Docket 10-09, filed April 23, 2012.

² PUC Order, GPA Docket 10-09, filed December 15, 2011.

³ PUC Order, GPA Docket 10-09, issued June 20, 2011.

⁴ Id. at p. 3.

5. In addition, in the event that GPA determined that the multi-year contract would exceed the contract review threshold of \$1.5M over the five-year contract period, GPA was authorized to seek further review and approval of such expenditures from the PUC.⁵
6. In its present Application, GPA requests that the PUC authorize it to expend up to the amount of \$1.5M in bond funds for the Ambient Air Quality Monitoring Project.

DETERMINATIONS

7. GPA has presented a justification for increasing its authorized expenditure of bond funds for the Ambient Air Quality Monitoring Project.
8. In January 2012, GPA and TRC completed a preliminary draft of the Ambient Air Quality Monitoring Plan. Initial cost estimates for the procurement and installation of equipment indicate that, including first year operation and maintenance cost, expenditures will be required in the amount of \$1,234,813.⁶
9. As established by the Consolidated Commission on Utilities in Resolution No. 2012-13, it is in the best interest of GPA to undertake programs required in the Ambient Air Quality Monitoring Project in order to comply with new and/or updated Ambient Air Quality Regulations.
10. The use of bond proceeds for the Ambient Air Quality Monitoring Project is reasonable, prudent, and necessary.

ORDERING PROVISIONS

Upon consideration of the record herein, the Petition of GPA, the Report of PUC Legal Counsel, and for good cause shown, upon motion duly made, seconded, and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby

ORDERS THAT:

⁵ Id. at p. 3.

⁶ Letter from General Manager, GPA, to the PUC dated April 2, 2012, Re: Request for PUC Approval of for the Increase in amount of Bond Fund Funds Allocated to the Ambient Air Quality Monitoring Project for the First Contract Year with TRC Environmental, and Exhibit A thereto.

1. GPA's Application to increase the amount of bond funds allocated to the Ambient Air Quality Monitoring Project is hereby approved.
2. GPA is authorized to expend bond funds in an amount of up to \$1.5M for the Ambient Air Quality Monitoring Project for the first contract year with TRC Environmental Corporation.
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 §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 11th day of June, 2012

Jeffrey C. Johnson
Chairman

Rowena E. Perez
Commissioner

Joseph M. McDonald
Commissioner

Michael A. Pangelinan
Commissioner

Filomena M. Cantoria
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

)
) GPA Docket 11-12
)

)
) Guam Power Authority's Petition for
) Contract Review of Renewable Energy
) Acquisition Pursuant to GPA's Integrated
) Resource Plan
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)

ORDER

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Filing by GPA of the "Renewable Energy Purchase Agreement with Quantum Guam Power, LLC."¹

BACKGROUND

2. On November 19, 2011, the Chairman of the Commission issued, on behalf of the Commission, an Order in this Docket which approved the selection of Quantum Guam Power ["QGP"] and award of a contract to it of a 20MW Solar Project.² At its meeting of January 11, 2012, Guam PUC ratified the Order of the Chairman in GPA Docket 11-12.³
3. The PUC authorized GPA to enter into contracts with QGP and PGR.⁴
4. However, PUC approval for GPA to enter into contracts with QGP and PGR was subject to two conditions: (1) completion of an evaluation by GPA of the projects in the System Impact Study performed by R.W. Beck; and (2) acceptance by the project proponents of the System Impact Study terms and conditions.⁵

¹ GPA Filing, GPA Docket 11-12, Renewable Energy Purchase Agreement with Quantum Guam Power, LLC, filed May 21, 2012.

² Id. at p. 2.

³ Minutes of Special Meeting of January 11, 2012, at p. 1 ["Ratification"].

⁴ Id.

⁵ Id. at p. 4; see also letter from General Manager Joaquin Flores to ALJ Horecky dated May 31, 2012 [re: Quantum Guam Power Renewable Contract Documents Submittal], filed May 21, 2012.

5. On May 30, 2012, PUC Counsel filed his Report herein. The PUC adopts the discussion and recommendations therein.⁶

DETERMINATIONS

6. GPA has completed and submitted the Renewable IFB System Impact Study, prepared by R.W. Beck, as required by the December 19, 2011 Order.⁷
7. In general, while Beck has found that system and interconnection upgrades will be necessary for the renewable projects to be built, it has determined that such interconnection and upgrades should be accomplished without disruption or damage to the system.
8. In accordance with the recommendation of Beck, the QGP and PGR projects should both connect at the Talofoto Substation, and do so by building a 34.5 kV underground connection with two circuits from Dandan to Talofoto (1 connection for each project).⁸
9. In accordance with the recommendation of Beck there should be a cost allocation for the interconnection requests, with 57% of cost allocated to QGP and 43% of the cost allocated to PGR.⁹ The total required Network Upgrade Costs are estimated to be \$17,337,482. From that amount, there will be a cost assignment to QGP of \$9,907,133 and to PGR of \$7,430,350.¹⁰
10. By letter dated May 18, 2012, Quantum Guam Power LLC accepted the conclusions and conditions of the Renewable System Impact Study (IR01 & IR02 Evaluation) dated May, 2012, prepared by R.W. Beck. Quantum will also enter into the Small Generator Interconnection Agreement.¹¹
11. GPA and Quantum Guam Power LLC (QGP) have agreed to the form of their Renewable Energy Purchase Agreement, which is attached to GPA's filing. The form of the agreement is comprehensive and fully sets forth the details of the relationship between the parties and the terms and conditions thereof.

⁶ PUC Counsel Report, GPA Docket 11-12, filed May 30, 2012.

⁷ GPA Filing, GPA Docket 11-12, filed May 21, 2012.

⁸ Id. at Section 5.

⁹ Id. at Section 5 at p. 5-2.

¹⁰ Id. at p. 5-3.

¹¹ Letter from Quantum Guam Power to Guam Power Authority dated May 18, 2012; Small Generator Interconnection Agreement between Guam Power Authority and Quantum Guam Power LLC.

12. Seller will construct a solar facility capable of producing 20 megawatts during the first contract year, and a minimum production of megawatts for a term of 25 years.¹² At present, the "Commercial Operation" date is twenty four months from the effective date of the agreement.¹³
13. Seller will bear the cost for construction of the solar facility. Ownership of the facility shall be in accordance with the Agreement. Performance guarantees and penalties shall also be in accordance with the Agreement. The Contract price per megawatt hour varies from \$196.00 in year 1 to \$220.90 in year 25.¹⁴

ORDERING PROVISIONS

After a review of the record herein, GPA's Filing and Petition for Approval of GPA's Renewable Energy Purchase Agreement with Quantum Guam Power LLC, and the PUC Counsel Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission HEREBY ORDERS that:

1. The System Impact Study prepared by R.W. Beck Inc. has been completed in accordance with the PUC Order dated December 19, 2011.
 2. Quantum Guam Power has accepted all terms and conditions of the System Impact Study, as well as its cost responsibility for the interconnection upgrades required to implement its project.
 3. The requirements for contract approval set forth in the PUC December 19, 2011 Order have been satisfied.
 4. The Renewable Energy Purchase Agreement between Quantum Guam Power LLC and the Guam Power Authority is hereby approved.
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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 PUC's regulatory fees and

¹² Renewable Energy Purchase Agreement, pgs. 11& 44.

¹³ Id. at p. 14.

¹⁴ Id., Appendix A.

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 11th day of June, 2012.



Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner



Michael A. Pangelinan
Commissioner



Joseph M. McDonald
Commissioner

Filomena M. Cantoria
Commissioner

procurements of Smart Grid Projects, but only to obtain final review and PUC approval of Smart Grid Contracts.⁴

5. PUC Legal Counsel has submitted his Report, which recommends approval of the proposed contract with Landis & Gyr. The PUC adopts the Counsel Report herein.
6. The AMI network is designed to facilitate two-way communications with smart meters, and enabling advanced control capabilities, remote connect/disconnect ability, outage notification, restoration verification, instantaneous tamper/theft notification, and distributed energy configuration and upgrade ability. The AMI network should also provide a "Home Area Network" (HAN) infrastructure.⁵
7. Under the Contract, Landis & Gyr will provide smart electric meters to approximately 52,000 customers, automation to the electric distribution system, and infrastructure necessary to support two-way flow of energy and information.⁶
8. The GPA Evaluation Team determined that Landis & Gyr was the most qualified proposer.⁷ The Contract contains a detailed Statement of Work.⁸
9. Under the contract, Landis & Gyr will provide GPA with project management, technical support, change management services, software installation, gap assessment, software configuration, conversion, interface development, report writing, training, testing support, and post-live support services to insure the successful implementation of a robust AMI system for GPA and its' customers.⁹
10. In CCU Resolution No. 2012-28, the GPA General Manager was authorized to enter into the contract with Landis & Gyr Technologies LLC.¹⁰

⁴ Id. at p. 3.

⁵ GPA Petition for Approval of Landis & Gyr Contract, GPA Docket 11-13, ABSTRACT at p. 1.

⁶ Id.

⁷ Id.

⁸ Id. at Exhibit h, Statement of Work.

⁹ ABSTRACT, supra at p. 1.

¹⁰ Consolidated Commission on Utilities Resolution No. 2012-28, adopted May 22, 2012.

DETERMINATIONS

11. GPA conducted due diligence in procuring and negotiating the contract with Landis & Gyr.
12. GPA has demonstrated that the implementation of its contract for the Electric Smart Meters and Advanced Meter Infrastructure is critical to the success of GPA's Smart Grid Project.
13. Implementation of the electric meter production and delivery is a critical milestone for three other GPA SGIG vendor deployments, including Network Communications, Meter Data Management Services and APEX Coverage, Meter Installation.
14. Approval of this contract will not have any additional impact upon customer power rates. Funding for this contract was already included in the 2010 bond issuance and does not involve the expenditure of additional ratepayer funds.

ORDERING PROVISIONS

After a review of the record herein, GPA's Petition for review and approval of its Electric Smart Meter and Advance Meter Infrastructure Contract with Landis & Gyr, and the PUC Counsel Report, for good cause shown, the Guam Public Utilities Commission HEREBY ORDERS that:

1. GPA's Petition for review and approval of the Electric Smart Meter and Advance Meter Infrastructure Contract with Landis & Gyr Technologies LLC is hereby granted.
2. The recommendations and reasoning contained in the Counsel Report are adopted.
3. GPA is authorized to expend up to the amount of \$9,759,421.90 for said Contract.
4. GPA shall continue to comply with its monthly reporting requirements to the PUC

as set forth in the PUC Order dated July 27, 2011. GPA shall submit ongoing progress reports to the PUC concerning this contract and other ongoing Smart Grid projects.

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 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 11th day of June, 2012.



Jeffrey C. Johnson
Chairman



Joseph M. McDonald
Commissioner



Rowena E. Perez
Commissioner

Filomena M. Cantoria
Commissioner



Michael A. Pangelinan
Commissioner