GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
APRIL 30, 2015
SUITE 202, GCIC BUILDING, HAGATNA

RECEIVED
MAY 28 2015
Public Utilities Commission
GUAM

MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:34 p.m. on April 30, 2015, pursuant to due and lawful notice. Commissioners Perez, McDonald, Cantoria, Montinola and Niven were in attendance. The following matters were considered at the meeting under the agenda made *Attachment "A"* hereto.

1. Approval of Minutes

The Chairwoman announced that the first item of business on the agenda was approval of the minutes of March 26, 2015. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the minutes subject to correction.

2. Guam Power Authority

The Chairwoman announced that the next item of business was GPA Docket 10-08, Petition for Extension of Performance Management Contract for Management, Operation, and Maintenance of the GPA Fuel Farm Bulk Storage Facility, PUC Counsel Report, and Proposed Order. Counsel indicated that the Fuel Farm maintained by GPA provides fuel for the Cabras Plants. The Fuel Farm is presently operated under a Performance Management Contract with Vital Energy, Inc. The present contract expires on May 31, 2015. GPA is simply requesting that the contract be extended for two years in accordance with its provisions, from June 1, 2015 to May 31, 2017.

The PUC approved the original contract in 2012 for a three year base period, which period expires on May 31, 2015. By extending the current contract for two years, GPA submits that it will be able to save some funds. In the original three year contract, the parties had agreed upon on a price for the two year extension period. However, now, as result of the renegotiation of the costs for these two additional years, GPA was able to save $23,254.12. This financial savings, though slight, will be a positive factor in terms of GPA's finances. The Commission previously determined that this contract is necessary for the operation of the Cabras Plants. The extension of the PMO Contract for the two option years will allow the uninterrupted operation of the Fuel Farm Facility and will give GPA additional time to prepare for operational changes or capital investments in the facility.

Counsel recommends to the PUC that it approve this two year extension. The draft Order would accomplish such purpose. The Fuel Farm Facility is essential for the efficient operations of the Cabras Plants. The two year extension request should be granted.

Commissioner Montinola asked what happens after the two year period. GPA General Manager Benavente stated that GPA would then go out for a new bid. The current contract ends after the two option years. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the two year extension of the Performance Management Contract with the Vital Energy, Inc., for the Management Operation, and Maintenance of the GPA Fuel Farm Bulk Storage Facility. The Commission adopted the Order made *Attachment "B"* hereto.

The Chairwoman indicated that the next item of business was GPA Docket 13-14, Petition for Authorization to Execute DSM and EE Report Task Order under GPA Contract with Leidos Engineering LLC, PUC Counsel Report and Proposed Order. Counsel stated the Demand Side Management Program would provide a means by which there could be energy savings resulting to customers. Such savings could occur through energy-efficient appliances such as air conditioners, washers, and dryers. As a result of prior Commission Action, GPA was asked to collaborate with PUC Consultants Lummus and GPA's Consultant Leidos to plan out the DSM Program. So far there has been a very good collaboration between these groups. Recently, GPA submitted its report on DSM, and the PUC approved the implementation plan. Hopefully, the program will be up and running by August 25, 2015.

At present however, the method for funding the program has not been fully agreed upon. There are also issues about loss of revenues that GPA may have from these energy saving programs. The issue of how GPA will pay for the DSM Program is still unresolved.

Leidos Engineering, GPA's Consultant in this matter, is requesting additional fees in the amount of $430,000 to bring the DSM Plan to fruition and get things moving, and the plan implemented. GPA requests that the amount of $430,000 be paid to Leidos out of the 2014 Bond Funds. There is a category of 2014 Bond Funds for "LNG Initial Startup".

Previously, the PUC has viewed the category of "LNG Initial Startup" as including purposes broader than merely expenditures related to LNG. The funds have been considered to be for the next generation needs of GPA; under the "LNG Initial Startup" bonds, PUC has already previously approved expenditures for about $270,000.00 worth of software, the @RISK and GENOPS software that will help GPA to improve its generation capacity. This DSM Program does fit in quite nicely concerning what GPA's overall generation needs should be, and what fuel sources it should move towards. It is appropriate, therefore, that the DSM cost for Leidos would be funded out of the LNG Initial Startup.

Before Counsel came to such a conclusion, he indicated that he carefully inquired with GPA as to whether it had any other source of funds that could be used for DSM. GPA's

Special Project Engineer, Jennifer Sablan convinced Counsel that there was no other source of funds budgeted for Leidos. The PUC had previously authorized an expenditure of funds for the contract with Leidos up to $2.6M. However, that was merely a spending authorization. The PUC does not, of course, appropriate funds for GPA. For DSM in general, the PUC will need to think about a longer term plan for handling program costs for DSM.

The next step in the process will be for Lummus, GPA, Leidos, and the Administrative Law Judge to meet and determine a longer-term funding program for DSM. It is quite likely that the Commission will have to consider a customer surcharge for program implementation, since the program is for the benefit of the ratepayers. The Proposed Order would ask that the parties look into the possibility of a surcharge.

GPA has made the case that the consulting fees of Leidos for DSM should be paid out of the LNG Initial Startup Bond Funds.

GPA further requested that the amounts taken from bond funds for Leidos consulting fees be reimbursed from the Levelized Energy Adjustment Clause. Counsel recommends that the PUC not approve this request. Previously the PUC has held in GPA Dockets involving the PMO that LEAC funds should not be used for consulting costs in general. LEAC is a charge related to fuel and it is a mechanism by which GPA recovers fuel-related cost. LEAC funds should not be used for GPA's payment of consulting fees.

The PUC should consider the possibility of implementing a customer surcharge to cover the DSM costs rather than paying for such costs through LEAC. The Proposed Order would approve GPA's payment of $430,000 for the DSM and Energy-Efficiency task order to Leidos. Such amounts would be paid out of the LNG Initial Startup 2014 Bond Funds. The Proposed Order would require GPA, the PUC Consultants, Leidos, and the ALJ to continue to develop an appropriate funding source for the DSM Program.

Commissioner Niven indicated that there was some confusion about the timeline; the DSM and Energy-Efficiency Report were due by August 25, but the program was supposed to start by July 13. Counsel indicated that was an issue. The timeline issue would need to be resolved. It is likely that the August time frame will be used because there have already been some delays. Commissioner Niven asked whether these deadlines needed to be changed, or whether it could be done administratively. The Counsel indicated that probably it could be done administratively, subject to the final approval of the Commission. Commissioner Niven agreed that the report would likely end up being done by the end of August, and the implementation to follow.

GM Benavente indicated that Hawaii also has a charge for the Demand Side Management Programs. Commissioner Niven asked whether GPA would propose a certain funding mechanism. GM Benavente indicated that GPA would work on that funding mechanism because there are not presently savings to fund the program. DSM itself will provide savings over time. GPA's Integrated Resource Plan includes a number of different possible elements: renewables, DSM, New Power Plants, LNG etc. There is a need for seed money to start the funding of these projects. LNG is just a name of the Bond Fund, just the way it's titled. That name can be changed.

Commissioner Niven asked whether in the August report, GPA would have not only the Report but also the expected cost and funding mechanism. GM Benavente said that was correct. Upon motion duly made, seconded and unanimously carried, the Commissioners authorized GPA to pay the DSM and EE Report Task Order with Leidos Engineering LLC in the amount of $430,000, said amount to be paid from the LNG Initial Startup 2014 Bond Funds. The Commissioners adopted the Order made *Attachment "C"* hereto.

The Chairwoman indicated that the next item of business was GPA Docket 15-11, Petition for Approval of Procurement of Cabras 1 through 4 Performance Management Contractor, PUC Counsel Report, and Proposed Order. The Counsel indicated that GPA clearly would have to go out on a bid for a new Performance Management Contract for the Cabras Plants. Presently there are two contractors, one for Cabras 1 and 2 (TEMES), and for Cabras 3 and 4 (East-West Power). The contract for Cabras 3 and 4 expires on June 30, 2015. GPA requests that the date of the contract for the Cabras 3 and 4 PMC be extended until the end of September 2015; such request is reasonable. GPA would be hard pressed to replace the Cabras 3 and 4 contractor by June 30. The PMC for Cabras 1 and 2 expires on September 30, 2015.

The PMCs, with GPA's participation and oversight, would basically manage the Cabras Plants. The PMCs sometimes initiate repairs to the plants. The PUC will need to approve a procurement whereby GPA can go out for bid for a Performance Management Contract. This procurement proposes one contractor for all four plants. The rationale is that GPA will save funds, since it will only have to pay management fees to one PMC rather than two. At present the management fees for each contract are in the range of $1.5M to $1.7M. The theory is that the fees could be reduced if there is only one PMC.

GPA will need to find one contractor that can manage both steam and slow speed diesel plants. These technologies differ. GPA officials indicate that they should be able to find one PMC that can handle both types of plants. However, whether GPA will in fact save management fees in hiring one contractor depends upon the bids received. The PUC will have the opportunity to review the final contract. At that time PUC can determine what the fee bids are and what the savings will be, if any. The PUC review of the final contract is a condition for approval here. The present combined annual fees would exceed $3.1 million. GPA hopes to reduce the amount of fees. In addition, in the moving papers, GPA has raised various statements about Cabras 1,2,3 & 4 being retired as plants by 2020.

Counsel indicated that, at present, the PUC has not approved any retirement of the Cabras Plants. The PMC contracts which GPA now seeks to procure should not be based on any assumption that the Cabras Plants will be closed by 2020. Any such presumption would be premature. With the Tanguissan Plants, GPA requested that the Commission allow those plants to be closed, and presented evidence. Upon review, the Commission approved closure of the Tanguissan Plants. However, nothing has been presented by GPA at this point that would justify closure of the Cabras Plants. The PUC should not approve any assumptions in the procurement based upon a closure of the Cabras Plants in 2020.

Saving money is a desirable objective, but the assumption cannot be that less money will be spent because the plants are going to be closed in 2020. The Commission should not approve any reduction in the reliability of the operations of the Cabras Plants. No assumption about the phasing out of the plants by 2020 should be embedded in this procurement. Cabras 1 and 2 are 41 years old. There may be an argument for closing those plants at some point. However Cabras 3 and 4 are 20 years old at present; they were built in 1995. Ratepayers are still paying on the bonds issued that were used to build those plants and will be paying on the bonds until about 2034. If Cabras 3 and 4 are closed down in 2020, what happens to the bond debt? There are serious questions about costs and financing.

The Proposed Order would approve GPA's Petition to procure a Single Performance Management Contractor in a Multi-Step Bid for all of the Cabras Plants. Before entering into a final PMC Contract, GPA would be required to submit such contract to the PUC for review and approval. At that point PUC can determine whether there will be cost-savings and an appropriate contractor. GPA should be authorized to extend the PMC with Korea East West Power for Cabras 3 and 4 on July 1, 2015 through September 30, 2015. The Order would further hold that there may be no provision or statement in the contract negotiated or assumption that either Cabras 1 or 2 or Cabras 3 or 4 will be deactivated by 2020. There may be no presumed date of deactivation for the plants in the contract. In the meantime GPA is free to make a case about plant closure before the Commission. There should be no reduction in the efficiency or reliability of the Cabras Plants such that they could not continue to operate.

Commissioner Montinola inquired about the notation in the Counsel Report concerning the deletion of certain provisions with the new PMC Contract, including staff training, skills assessment etc. The Counsel indicated that he did not reach conclusions concerning these matters, but included them so that the Commissioners could be fully advised. Commissioner Montinola asked whether anyone from GPA would want to answer why those provisions have been deleted. GM Benavente indicated that there was previously extensive training. However the Cabras 1 and 2 Plants are already 41 years old. GPA already has a lot of experience. It is also taking employees from the Tanguissan Plants down to Cabras 1 and 2. Training is not as necessary at this time. Specific trainings could be required of the contractors as necessary.

Trainings were carried out in the prior contracts. GPA has a strong base of expertise; it can bring in technicians for training in such items as specific pumps or controlling switches. Mr. Benavente did ask that the Commission allow a provision for early termination of the contract upon approval by the PUC. It may be necessary to move to the combined cycle plants. GPA would like a provision for a base contract term of five years with provision for five optional one-year contracts thereafter. GPA doesn't want to be positioned like it was with the Tanguissan PMC to have to negotiate a termination of the contract. There should be provision for optional one-year terms.

Mr. Benavente indicated that the Cabras Plants are the most expensive units in terms of base load. The slow speeds are more efficient than the Cabras Units. Renewable plants coming in will back off the Cabras 1 and 2 Plants. For six months of the year, GPA will probably only be running one Cabras Plant. Multi-million dollar investments are needed to maintain the Cabras Plants, such as changing broiler tubes and other major equipment. 85% reliability may be sufficient for a generator that GPA only uses for six months out of the year. GPA does need the optional one year contract terms for the second contract period.

Counsel saw some merit in GM Benavente's comment. Nothing in the Order requires GPA to dispatch any particular plants, or to dispatch Cabras 1 and 2 less than at present. The current contract only provides for one five-year term and then an additional five-year term. The present contract needs to be redrafted. The PUC could allow provisions that there will be no early termination or reduction in scope within the first five years; GPA could add provisions concerning the second five years. Counsel indicated GPA did not indicate that it needed an early termination provision for the first five years, but for the second five years. GM Benavente indicated that 2020 was the earliest for the retirement of Cabras 1 and 2. He does not anticipate any retirement of Cabras 1 and 2 within the first five years.

Commissioner Niven was concerned that if the PUC decides to decommission any of the Cabras units before 2020, GPA could be stuck with paying the contract for five years even though the plants weren't in operation. GM Benavente suggested a provision could be added where PUC could allow termination within the first five years. GPA again requested options to terminate within the second five years, i.e. five additional one-year options.

Commissioner Montinola asked if GPA anticipated many of the units going off line in the next five years. GM Benavente indicated that he did not, and not without a new combined cycle plant of over 100 or 120MW capacity. GPA was asking for 120 megawatt combined cycle with an option for 60MW more. With 60MW more GPA could deactivate or retire Cabras 3 and 4. GPA may also be able to deactivate Cabras 3 and 4 based upon the Demand Side Management Program. However GPA does not want to end up in a position where it does not have enough capacity. An optional

60MW is based upon a military build-up, if it is bigger than anticipated, and in case the economy grows considerably. The best economics is for combined cycles 1 and 2.

Commissioner Montinola indicated that there should be a termination option within the first five years of the contract. GM Benavente concurred with that point. The Counsel asked how that provision could be included. Commissioner Nivens suggested that there should be a provision allowing termination within the first five years. Circumstances change. He also agreed with the one year extensions for five years as an option. Commissioner Montinola asked whether the PMC cost for operations of the Cabras Plants would be reduced if the utilization of such plants were reduced, say by 25%. GM Benavente indicated that utilization of the unit would not reduce the PMC fee prices except for perhaps control of Operations and Maintenance cost. The PMCs need to get GPA approval for any capital investment they seek to make for the power plants. If these large investments are needed, GPA can still ask the PMC to finance it over the five year period.

Counsel suggested a revision in the Order such that, without further PUC approval, Cabras Plant operations will not be terminated within the first five years of the PMC Contract. If GPA believes that the plant should be closed, it can come back to the PUC for approval. Mr. Niven felt the provision just stated existing law in any event. Chairwoman Perez raised a concern: previously, when she asked why there were two PMCs for the Cabras Plants, it was explained that one was a steam engine and the other a slow speed diesel. She was concerned whether GPA could find a contractor that could do both.

GM Benavente indicated that GPA could find such a contractor. TEMES, for example, could manage both plants. The Chairwoman asked if GPA could manage both plants. GM Benavente indicated that it could not. The PMC also provides the ability to procure various items without complying with the Government of Guam procurement regulations. GM Benavente indicated such approach was used for the crack in the shaft of Cabras 3. Chairwoman Perez was concerned that GPA needed two different contractors for the Cabras Plants because of the level of expertise; but, now, several years later, a single contractor is sufficient. GM Benavente indicated that now there were economies of scale and maturity with 20 years of operation of the slow speeds.

Commissioner Cantoria asked whether there should be a reduced billing for the PMC if only three of the Cabras Plants were operating instead of four. GM Benavente indicated that if Cabras 1 and 2 were deactivated, the expenditures for overhaul and operations for those plants would go away. If one unit goes off, GPA still has the expertise for the second unit. Reduction costs for shut down of a plant operation will be in the contract. Commissioner Montinola asked whether GPA would need PUC approval on each one year extension. GM Benavente indicated that GPA would need PUC approval for each extension.

Counsel indicated that GPA would need such approval, as the extensions normally involve more than $1.5M. If GPA wants one year terms renewable for the second five years, it can simply put that in its procurement. Counsel suggested a further revision of paragraph 5: "Without further PUC approval Cabras Plant Operation shall not be terminated or reduced in scope". GM Benavente concurred with that provision and indicated that GPA could then come back to the PUC for approval of each of these five years annual options to extend.

Chairwoman Perez was concerned that GPA was speaking about terminating the Cabras Plants in 2020, when they had considerable remaining life span and so much money had already been invested in these plans to bring them up to par. The Counsel indicated to the Chairwoman that the issue she was presenting would not be decided this evening. Even if the PUC authorizes GPA to issue the procurement for the PMC for the Cabras Plants, in no manner is the authority of the Commission to address the issue, of when any of the Cabras Plants should be terminated, limited in any manner. If GPA seeks to terminate the Cabras Plants; it would have to come back to the PUC for approval. If the Commission adopts the Order, it would be authorizing GPA to procure a PMC for a five year period with five possible additional one year annual extensions. However, the Commission would not be deciding when the Cabras Plants should be closed or what replacement options should be. The Chairwoman understood that the PUC was not limiting itself by deciding the issues presented in the Order.

GM Benavente indicated that there were issues beyond investment of money into the plant, such as the issues with the US EPA potentially involving $106M of penalties unless GPA makes those units compliant with new energy. The Chairwoman clarified with Mr. Benavente that the PUC could address such concerns involving penalties and other issues.

Counsel clarified that the revision of paragraph 5 of the Order would be: "without further PUC approval Cabras Plant Operations shall not be terminated or reduced in scope". Upon motion duly made, seconded, and unanimously carried, the Commissioners authorize GPA to issue a procurement for the Cabras 1-4 Performance Management Contractor, and adopted the Order made in *Attachment "D"* hereto.

The Chairwoman indicated that the next item on the agenda was GPA Docket 15-14, Petition to Approve Diesel Engine Cylinder Lubrication Oil Contract with Pacific Petroleum Trading Corporation, the PUC Counsel Report, and Proposed Order. Counsel indicated that the current contract for the supply of diesel engine cylinder oil, for the Cabras slow speed diesel plants, expires on Aril 30, 2015. The current contract is with IP&E. GPA went out for a bid after the end of the three year base period of the contract. There were four potential suppliers that responded to the bid for cylinder oil. The lowest responsive and responsible bidder was Pacific Petroleum Trading Corporation.

For the new cylinder oil contract, including the fixed fuel cost in premium charge, the price is about $1,749,000 plus per year, and over $5M over the three-year contract. The contract involves approximately 850 metric tons of diesel engine cylinder oil per year. The price includes the reference price and the premium fee cost. PPTC was the lowest bidder, and had a considerable lower premium charge than under the prior contract with IP&E. GPA clearly needs cylinder oil and needs to continue to supply the same for the slow speed diesel. Counsel recommends that the PUC approve the three year contract, for May 1, 2015 through April 30, 2018. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the three year base period contract between GPA and Pacific Petroleum Trading Corporation for the supply of Diesel Engine Cylinder Lubrication Oil. The Commissioners adopted the Order made *Attachment "E"* hereto.

3. Administrative Matters

The Chairwoman announced that the next matter for consideration by the PUC was the FY2014 Citizen Centric Report. The Counsel indicated that he and the Administrator work on preparing this report collaboratively. The report indicates that, for FY2014, the Commission reduced its overall expenses by 11.68%. Total expenses for FY2014 were $1,208,034.00. This figure includes both administrative fees and regulatory fees. Counsel also indicated that PUC was attempting to build up more of an internal staff to handle matters. He would bring these matters back to the Commission for further discussion. With regard to the CCR, the next step would be to send it to the Office Public Accountability.

Commissioner Niven had a few corrections. He first indicated that reductions should be indicated in parenthesis i.e., a total reduction of 11.68% for expenses in parenthesis. Savings should be indicated. Further, Commissioner Niven was concerned about the calculation of the Commissioner terms. Terms were not consistent with his understanding. Counsel indicated that the dates for the Commissioner terms came from Senator Ada's calculations. Commissioners confirmed that their terms were each for a period of six years. Commissioner Niven's third concern was that there was a diagram of a hydraulic dam in the CCR. On Guam we don't have anything like that. Administrator Palomo indicated that she thought she would put that in. The Commissioners requested that a more relevant picture be placed into the CCR.

Commissioner Montinola asked what caused the office expenses to go up. Was that the renovation? Administrator Palomo indicated that it was. After Commissioner discussions concerning the publication expenses of the PUC, Counsel indicated that all publication requirements of law must be complied with; otherwise the PUC would run the risk that its actions could be overturned. The final administrative matter was the Annual Net Metering Report of GPA. It was merely informational for the Commissioners. Counsel indicated that there were roughly 270 net metering customers at present for GPA.

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

Rowena E. Perez
Acting Chairwoman

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
SUITE 202, GCIC BUILDING
414 W. SOLEDAD AVE. HAGATNA, GUAM
6:30 p.m., April 30, 2015

Agenda

1. Approval of Minutes of March 26, 2015

2. Guam Power Authority
   - GPA Docket 10-08, Petition for Approval of Extension of Performance Management Contract for Management, Operation, and Maintenance of the GPA Fuel Farm Bulk Storage Facility, PUC Counsel Report, and Proposed Order
   - GPA Docket 13-14, Petition for Authorization to Execute DSM and EE Report Task Order under GPA Contract with Leidos Engineering LLC, PUC Counsel Report, and Proposed Order
   - GPA Docket 15-11, Petition for Approval of Procurement for Cabras 1-4 Performance Management Contractor, PUC Counsel Report, and Proposed Order
   - GPA Docket 15-14, Petition to Approve Diesel Engine Cylinder Lubrication Oil Contract with Pacific Petroleum Trading Corp., PUC Counsel Report, and Proposed Order

3. Administrative Matters
   - PUC Administrator Report on Ipads
   - FY2014 Citizen Centric Report

4. Other Business

ATTACHMENT A

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

RECEIVED
APR 30 2015
Public Utilities Commission
GUAM

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 the GPA Fuel Farm Bulk Storage Facility.	)	ORDER

INTRODUCTION

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

2. Herein GPA requests that the Performance Management Contract with Vital Energy INC., which expires on May 31, 2015, be extended for the period from June 1, 2015 to May 31, 2017.[2]

BACKGROUND

3. On June 11, 2012, the PUC approved the Fuel Farm PMC Contract between GPA and Vital Energy Inc. for a base period of three years (June 1, 2012 – May 31, 2015).[3]

4. Since the PMC is now expiring on May 31, 2015, GPA wishes to extend the Contract for a new two year period.[4] The Contract provides for a two year extension.

5. On March 24, 2015, the Guam Consolidated Commission on Utilities approved GPA's request to enter into a two year contract extension with Vital Energy Inc. for

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1 GPA Petition Requesting Approval of the Performance Management Contract (PMC) for the Management, Operation and Maintenance of the GPA Fuel Farm Bulk Storage Facility, GPA Docket 10-08, filed April 3, 2015.

2 Id at p.1.

3 PUC Order, GPA Docket 10-08, dated June 11, 2012.

4 GPA Petition Requesting Approval of the Performance Management Contract (PMC) for the Management, Operation and Maintenance of the GPA Fuel Farm Bulk Storage Facility, GPA Docket 10-08, filed April 3, 2015, at p.1.

ATTACHMENT B

the Management, Operation, and Maintenance of the GPA Fuel Bulk Storage Facility.[5]

6. GPA submits that extension of the Contract for the two option years allows the uninterrupted operation of the facility, while providing GPA time to prepare for operational changes or capital investments at the facility related to the resource implementation plan.[6]

7. GPA further submits that the Fuel Farm PMC will contribute to the efficient operation of the Cabras Power Plants; the PMC is "reasonable, prudent, and necessary".[7]

DETERMINATIONS

8. GPA has demonstrated that, by entering into the two year contract extension for the Fuel Farm PMC, it will save $23,254.12.[8]

9. In the original three year base period for this Performance Management Contract, GPA and Vital Energy had also negotiated the cost of two one year extensions. The negotiated extension was $685,402.48 for the first year, and $695,683.53 for the second year.

10. However, the parties have now agreed to reduce the proposed fees for the two annual extensions in the amount of $673,775.42 and $684,056.47 respectively.[9]

11. The savings are a positive factor for GPA's financial condition.

12. The Management, Operation, and Maintenance services which Vital Energy Inc. performs for GPA with regard to the Fuel Farm Bulk Storage Facility are essential to the efficient operation of the Cabras Power Plants.

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[5] Guam Consolidated Commission on Utilities Resolution No.2015-16, Authorizing Management of the Guam Power Authority to Extend GPA-030-12 for the Management, Operation and Maintenance of the Guam Power Authority's Fuel Bulk Storage Facility, approved March 24, 2014.

[6] Id. at p.1.

[7] GPA Petition Requesting Approval of the Performance Management Contract (PMC) for the Management, Operation and Maintenance of the GPA Fuel Farm Bulk Storage Facility, GPA Docket 10-08, filed April 3, 2015, at p.2.

[8] See Exhibit "B" to CCU Resolution No.2015-16.

[9] Id.

ORDERING PROVISIONS

After careful review and consideration of the above Determinations, the Petition of GPA requesting a two year extension of the Contract for the management, operation, and maintenance of the 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 extension of the Performance Management Contact with Vital Energy, Inc., for the management, operation and maintenance of the GPA Fuel Farm Bulk Storage Facility.

2. Said Contract may be extended for a two year period from June 1, 2015, to May 31, 2017, in accordance with the terms and conditions set for in Exhibits A and B to Guam Consolidated Commission on Utilities Resolution 2015-16.

3. GPA is authorized to expend up to the amount of $1,357,831.89 for the two year extension.

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 30th day of April, 2015.

Jeffrey C. Johnson Chairman	Joseph M. McDonald Commissioner
Rowena E. Perez Commissioner	Peter Montinola Commissioner

Michael A. Pangelinan
Commissioner

Andrew L. Niven
Commissioner

Filomena M. Cantoria
Commissioner

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Public Utilities Commission
GUAM

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:	GPA Docket 13-14
The Application of the Guam Power Authority for Authorization to Execute DSM and EE Report Task Order.	**ORDER**

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of Guam Power Authority ["GPA"] for PUC Approval of the Demand Side Management [DSM] and Energy Efficiency [EE] Report Task Order under the existing Contract with Leidos Engineering, LLC. GPA intends to use 2014 Bond Funds to pay for the Task Order.[1]

2. GPA seeks approval for the use of 2014 Bond Funds ["LNG Initial Start Up"] for the payment of $430,000 to Leidos Engineering, LLC under the existing Contract for the DSM and EE Report Task Order.[2]

BACKGROUND

3. On July 31, 2014, the PUC issued an Order directing GPA to submit a Demand-Side Management and Energy Efficiency Implementation Plan, including steps, timeline, and milestones required for screening and implementation, as well as an implementation plan for an initial set of measures, no later than 120 days after the date of the Order.[3]

4. On December 19, 2014, GPA filed its Initial Implementation Plan. This plan included: (1) Steps, a timeline, and milestones required for DSM and EE screening and implementation, (2) An implementation plan for an initial set of measures to begin no later than one year from the July 31, 2014 PUC Order.[4]

5. In the Order, PUC indicated a belief that GPA might be able to fund continued Leidos efforts in GPA's current budget. PUC supported recovery of reasonable costs to complete the plan. Longer term cost recovery issues, including incentives,

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1 GPA Petition for Authorization to Execute DSM and EE Report Task Order, GPA Docket 13-14, filed April 6, 2015.

2 Id. at p. 2.

3 PUC Order, GPA Docket 13-14, dated July 31, 2014.

4 PUC Order, GPA Docket 13-14, dated February 26, 2015.

ATTACHMENT C

program costs, penalties, and lost revenues, would continue to be considered in this Docket between GPA, PUC, Lummus Consultants, and the Administrative Law Judge.[5]

6. GPA is now required to complete its DSM and EE Report by August 25, 2015 and to implement DSM and EE programs (Central AC, Ductless AC, Washer and Dryer) preferably by July 13, 2015.[6]

7. The Guam Consolidated Commission on Utilities has authorized GPA to request approval of the use of 2014 Bond Funds for funding the DSM and EE Report Task Order and for subsequent reimbursement of those funds through LEAC.[7]

DETERMINATIONS

8. With regard to the specific amount of $430,000 now requested for Leidos Engineering for the DSM and EE Report Task Order, there are no funds identified for this purpose in GPA's current year budget or other available funds which have been specifically appropriated for this purpose.

9. Since the PUC has requested that GPA implement the DSM and EE program, the PUC should work cooperatively with GPA to find appropriate funding sources for implementation of the program.

10. In the 2014 GPA Bond Issuance, there were funds allocated for "LNG Initial Start Up" in the amount $3M. From the LNG Initial Start Up funds, PUC has previously approved expenditures for integrated resource planning and other matters that could eventually lead to development of an LNG program. In GPA Docket 14-09, the PUC approved the expenditure of $270,000 from the $3M. This expenditure was for the GENOPS & @RISK Software.[8]

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5 Id.

6 Id.; see also Guam Consolidated Commission on Utilities Resolution No.2015-18, Authorizing Management of Guam Power Authority to Contract Leidos for $430,000 to Complete the GPUC Mandated DSM and EE Report by August 25, 2015, adopted March 24, 2015.

7 Id.; see also Guam Consolidated Commission on Utilities Resolution No.2015-18, Authorizing Management of Guam Power Authority to Contract Leidos for $430,000 to Complete the GPUC Mandated DSM and EE Report by August 25, 2015, adopted March 24, 2015.

8 PUC Order, GPA Docket 14-09, dated December 1, 2014 at p. 2.

11. The justification for approval of the software expenditure under the LNG Initial Start Up budget is that such software will be helpful to assist GPA in generation, fuel planning, and economic dispatching. Such expenditure will be useful as GPA continues to develop its plans for future generation. Those plans include an examination of the future feasibility of an LNG infrastructure.

12. In this Docket, the same rationale justifies authorizing the expenditure of $430,000 for Leidos Engineering from the LNG Initial Start Up budget. The DSM program is designed to reduce customer energy demand. The DSM program will influence decisions about what type of generation facilities and fuel sources is most appropriate for future development.

13. Therefore, the PUC should authorize GPA to expend $430,000.00 from the LNG Initial Start Up Bond funds for the DSM Task Order to Leidos.

14. GPA has further requested that the funds for the DSM and EE Task Order for Leidos be "Reimbursed" out of LEAC (Levelized Energy Adjustment Clause).[9] The PUC has previously held that it is not appropriate to use LEAC for the purpose of funding consulting contracts of GPA or, as a general principle, to use LEAC for Non-Fuel related purposes. The primary purpose of LEAC is to permit GPA to recover all prudently incurred fuel costs through a fuel adjustment clause mechanism.[10]

15. In GPA Docket 14-02, the PUC determined that it was not appropriate to fund consulting fees for the Program Management Office from LEAC. The same reasoning applies to GPA's instant request. LEAC should not be used as a vehicle to fund GPA consulting fees.

16. GPA, the PUC Consultants, and the Administrative Law Judge should continue to work together to develop an appropriate funding source for the DSM Program. A more long term funding solution should be developed, as the parties all appear to agree that a DSM Program will provide substantial benefits to the ratepayers.

17. Other jurisdictions, such as Hawaii, have funded DSM programs through ratepayer surcharges. This is an approach that the PUC should also consider.

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9 Guam Consolidated Commission on Utilities, Resolution No. 2015-18, issued March 24, 2015, at p. 3.
10 PUC Order, GPA Docket 14-02, dated December 30, 2013, at p. 6.

ORDERING PROVISIONS

After review of the record herein, GPA's Petition to Approve the Use of Bond Funds to pay Leidos Engineering LLC for the DSM Report Task Order, 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. GPA's Request to expend $430,000.00 from the LNG Initial Start Up Bond Funds for the DSM Task Order to Leidos Engineering LLC is approved.

2. GPA's Request to reimburse the 2014 Bond Funds from LEAC is denied.

3. GPA, the PUC Consultants, and the Administrative Law Judge shall continue to work together to develop an appropriate funding source for the DSM Program. A more long term funding solution should be developed, as the parties all appear to agree that a DSM Program will provide substantial benefits to the ratepayers. Funding of the DSM Program through a ratepayer surcharge should be considered.

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 conducing 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 30th day of April, 2015.

Jeffrey C. Johnson Chairman	Joseph M. McDonald Commissioner
Rowena E. Perez Commissioner	Peter Montinola Commissioner

Michael A. Pangelinan
Commissioner

Filomena M. Cantoria
Commissioner

Andrew L. Niven
Commissioner

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GUAM

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:	)	GPA Docket 15-11
	)	
The Application of the Guam Power Authority to Approve the Procurement of a Performance Management Contract (PMC) for Cabras Units 1&2 and 3&4.	)	**ORDER**

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] for contract review and approval of GPA's Procurement of a Performance Management Contract (PMC) for Cabras Units 1&2 and 3&4.[1]

2. GPA now requests that the PUC: (1) authorize an extension of the existing PMC Agreement with Korea East-West Power Co. ("EWP") for Cabras 3&4 from July 1, 2015 through September 30, 2015; and (2) authorize GPA to issue a multi-step invitation for bids for a single performance management contract at the Cabras 1&2 and 3&4 Base Load Plants.[2]

BACKGROUND

3. During the 1990s, GPA, at the urging of the PUC, undertook the hiring of Performance Management Contractors to manage, operate, and maintain the Cabras 1,2,3 & 4 Plants.

4. GPA believes that the Performance Management Contracts at the Cabras Plants have contributed to their increased availability and efficiency.[3]

5. The five-year Performance Management Contract between GPA and Taiwan Electrical Mechanical Services Inc. ("TEMES") for Cabras 1&2 expires on September 30, 2015.[4]

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1 GPA Petition to Approve the Procurement of Performance Management Contract (PMC) for Cabras Units 1&2 and 3&4, GPA Docket 15-11, filed April 8, 2015.

2 Id at p.2

3 Guam Consolidated Commission on Utilities, Resolution No.2015-15, Authorizing Management of the Guam Power Authority to Issue Bid for a Single Performance Management Contract Cabras 1&2 Steam and Cabras 3&4 Slow Speed Power Plant, adopted February 24, 2015 at p.1.

4 Id at p.1

ATTACHMENT D

6. The five-year Performance Management Contract between GPA and EWP for Cabras 3&4 expires on June 30, 2015.[5]

7. Instead of having two separate Performance Management Contractors for the Cabras 1&2 and 3&4 plants, GPA now seeks to procure "a consolidated new Performance Management Contract (PMC) for the operation of all of the Cabras Power Plants."[6]

8. The Guam Consolidated Commission on Utilities has approved GPA's request to issue a multi-step invitation for bids for a single Performance Management Contract at the Cabras 1&2 and 3&4 Base Load Plants.[7]

9. The PUC Counsel filed his Report herein on April 27, 2015. The PUC adopts the recommendations therein.[8]

DETERMINATIONS

10. GPA's justification for having a single Performance Management Contractor for the Cabras Plants is that the PMC management fees for the Plants will be reduced by as much as $1.5M per year over the next five years.[9]

11. While it is logical that some savings would result, the actual amount of savings from the consolidation of the Cabras Plants under one PMC is speculative at the present time.

12. Since the cost of the fixed management fees can only be determined after bids are submitted and a PMC selected, the PUC should determine the actual savings that GPA will derive from such consolidation when it reviews the final Performance Management Contract.

5 Id.

6 GPA Petition to Approve the Procurement of Performance Management Contract (PMC) for Cabras Units 1&2 and 3&4, GPA Docket 15-11, filed April 8, 2015, at p.1.

7 Guam Consolidated Commission on Utilities Resolution No.2015-15, adopted February 24, 2015, at p.2.

8 PUC Counsel Report, GPA Docket 15-11, dated April 27, 2015.

9 Id. at p.1.

13. At this time the PUC cannot accept the assumptions in GPA's Petition and moving documents that the Cabras 1&2 and 3&4 Units should be deactivated by 2020.

14. To date, GPA has made no showing to the PUC that either Cabras 1&2 or Cabras 3&4 should be deactivated by 2020. With the Tanguissan Plants, GPA presented a petition and evidence that they should be deactivated. There has been no such showing with regard to any of the Cabras Plants.

15. No presumption can be made that any of the Cabras Plants should be deactivated until GPA makes a proper case and demonstrates that there is a rationale and justification for the deactivation of those Plants.

16. The fact that the Cabras 1&2 plants are 41 years old is not alone a justification for deactivating the plants. Under certain circumstances, plants, with proper maintenance and upkeep, have been kept in operation for 50 or 60 years.[10]

17. GPA's own documentation for this Invitation for Bids demonstrates that, in recent years, millions of dollars have been invested into the Cabras 1&2 Plants for upkeep and maintenance. This investment by ratepayers cannot be abandoned without sufficient evidence and proof.

18. The Cabras 3&4 Plants are currently only 21 years old.[11] In 2020, Cabras 3&4 will be roughly 26 years old. Given the substantial investment of the ratepayers of Guam, which include payments of principal and interest on bonds, it is by no means clear that the deactivation of those plants is justified. At present there is no evidence in the record to justify deactivation of Cabras 3&4.

19. The PUC has no objection to reduced investment levels for the Cabras Plants if they will continue to operate at present reliability levels.

20. However, the PUC will not approve any contract which assumes that reliability levels can be reduced on the assumption that Cabras 1&2 or 3&4 are being phased out by 2020. There should be no reduction of investment or reliability that would prevent any of the Cabras Plants from operating beyond 2020.

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[10] PUC Consultant Lummus has expressed this opinion in discussions with PUC Counsel.

[11] Id.

21. At the present time the PUC does not approve inclusion of an option for early termination or reduction in scope as a PMC provision.

22. GPA has not offered a justification for an early termination or reduction in scope clause in the contract. The present CONTRACT TERM for the PMCs is for a five year period, commencing on October 1, 2015, and terminating on September 30, 2020.

23. GPA may not include contract provisions in the PMC which reduce the ability of the Cabras 1&2 or 3&4 plants to properly function. Until such time as the PUC approves any deactivation of the Cabras plants, it does not authorize GPA to include contract provisions in its PMC which reduce the efficiency or reliability of the Cabras plants.

ORDERING PROVISIONS

After review of the record herein, GPA's Petition to Procure a Performance Management Contract (PMC) for the Cabras Units 1&2 and 3&4, 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. GPA's Petition to procure a single Performance Management Contractor through a multi-step bid for the Cabras Units 1&2 and 3&4 is granted.

2. Before entering into a final PMC, GPA is required to submit such contract to the PUC for review and approval. In its review, PUC will determine what actual savings in fixed management fees will result from the contract, and whether one contractor can adequately manage, maintain, and operate both steam and slow speed diesel plants.

3. GPA is authorized to extend the existing PMC Agreement with Korea East-West Power Co. ("EWP") for Cabras 3&4 from July 1, 2015 through September 30, 2015.

4. There may be no provision or statement in the contract negotiated between GPA and the Performance Management Contractor, or assumption by the parties, that either Cabras 1&2 or Cabras 3&4 will be deactivated by 2020, or that there is any presumed date therein for the deactivation of said plants. To date PUC has not

approved any deactivation of said plants. GPA has not presented any evidence justifying the deactivation of the plants.

5. Without further PUC approval, Cabras Plant operations shall not be terminated or reduced in scope.

6. GPA is not authorized to reduce the efficiency or reliability of any of the Cabras Plants such that they cannot continue to operate at present levels.

7. Should GPA seek to achieve "an acceptable reliability level at reduced investments" for the Cabras Plants, it must specify precisely what it means and obtain advance prior approval from the PUC.

8. 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 conducing 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 30th day of April, 2015.

Jeffrey C. Johnson
Chairman

Joseph M. McDonald
Commissioner

Rowena E. Perez
Commissioner

Peter Montinola
Commissioner

Michael A. Pangelinan
Commissioner

Andrew L. Niven
Commissioner

Filomena M. Cantoria
Commissioner

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Public Utilities Commission
GUAM

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:	)	GPA Docket 15-14
	)	
The Application of the Guam Power Authority to Approve the Diesel Engine Cylinder Lubrication Oil Contract with Pacific Petroleum Trading Corporation (PPTC)	)	**ORDER**

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of Guam Power Authority ["GPA"] for PUC Review and Approval of the Diesel Engine Cylinder Lubrication Oil Contract with Pacific Petroleum Trading Corporation ["PPTC"].[1]

2. GPA's current Contract for the supply of Diesel Engine Cylinder Oil is with IP&E Guam. The current Contract expires on April 30, 2015.[2]

BACKGROUND

3. On July 31, 2012, PUC authorized GPA to extend the Cylinder Lubrication Oil Contract with IP&E for the period of February 1, 2013 through January 31, 2015.[3]

4. On May 29, 2014, PUC authorized GPA to procure a new contract for the supply of Cylinder Lubricating Oil for the Slow-Speed Diesel Base Load Plants.[4] Therein the PUC determined that GPA had demonstrated a clear need for Cylinder Lubrication Oil for the Slow-Speed Diesel Base Load Units, and that such oil was essential to the operation of the plants.[5]

5. GPA issued Invitation for Multi-Step Bid No. GPA-056-14, a procurement for a new Cylinder Oil Supply Contract.[6]

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1 GPA Application for Approval of the Diesel Engine Cylinder Lubrication Oil Contract with Pacific Petroleum Trading Corporation, GPA Docket 15-14, filed April 17, 2015.

2 Id. at p.1.

3 PUC Order, GPA Docket 12-04, dated July 30, 2012.

4 PUC Order, GPA Docket 14-08, dated May 29, 2014.

5 Id. at p.2.

6 Guam Consolidated Commission on Utilities Resolution No.2015-19, Authorizing the Management of the Guam Power Authority to Award the Contract for the Supply of Cylinder Lubricating Oil for Slow-Speed Diesel Engines, approved March 24, 2015, at p.1.

ATTACHMENT E

6. GPA received bids for the supply of Cylinder Lubrication Oil for the Slow-Speed Diesel Base Load Plants from four suppliers. Pacific Petroleum Trading Corporation was determined to be the lowest, most responsive and responsible bidder meeting the requirements of the bid solicitation.[7]

7. The Cylinder Oil Supply Contract with PPTC is for a period of three years and is anticipated to commence on May 1, 2015, and expire on April 30, 2018, with two one-year extension options renewable annually upon mutual agreement of the parties.[8]

8. The Award of Contract to PPTC is based upon estimated supply quantities having a value of $1,749,654.00 per year or a total of $5,248,963.00 for the three-year contract period.[9]

DETERMINATIONS

9. The Guam Consolidated Commission on Utilities authorized GPA to enter into a three-year contract with PPTC for the supply of Cylinder Oil, subject to the review and approval of the Guam Public Utilities Commission.[10]

10. GPA estimates that it will need 850 metric tons of Diesel Engine Cylinder Lubrication Oil per year. The price per metric ton includes both the reference price and the premium fee cost. The premium fee cost offered by PPTC is substantially lower than that offered by the other vendors.[11]

11. Pacific Petroleum Trading Corporation is clearly the lowest bidder, and the annual premium fee cost offered by PPTC per year is actually lower than that offered by IP&E under the prior contract.[12]

12. It is reasonable, prudent and necessary for GPA to enter into the Diesel Engine Cylinder Oil Contract with Pacific Petroleum Trading Corporation for a three-year period from May 1, 2015 to April 30, 2018.

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7 Id. at p.1; see also Exhibits 1 & 2 to CCU Resolution No. 2015-19.
8 Id.
9 Id. at p.2; see also Exhibit 2, CCU Resolution No. 2015-19.
10 Id.
11 Exhibit 2, CCU Resolution No. 2015-19.
12 Id.

ORDERING PROVISIONS

After review of the record herein, GPA's Petition for Review and Approval of the Diesel Engine Cylinder Lubrication Oil Contract with Pacific Petroleum Trading Corporation, 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. GPA is authorized to enter into Diesel Engine Cylinder Oil Contract with Pacific Petroleum Trading Corporation for the three-year period from May 1, 2015 to April 30, 2018.

2. The approved cost for the Contract is $1,749,654.00 per year, or a total of $5,248,963.00 for the three year contract period.

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 conducing 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 30th day of April, 2015.

Jeffrey C. Johnson
Chairman

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