

GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
OCTOBER 29, 2015
SUITE 202, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:40 p.m. on October 29, 2015, pursuant to due and lawful notice. Commissioners Johnson, Perez, McDonald, Pangelinan, 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 Chairman announced that the first item of business on the agenda was approval of the minutes of September 24, 2015. Upon motion duly made, seconded and unanimously carried, the Commission approved the minutes subject to correction.

2. Teleguam Holdings LLC

The Chairman announced that the next item of business was Teleguam Holdings LLC, GTA Docket 15-05, GTA Complaint regarding Non-Payment of UNE Loop Invoices. The Chairman indicated this matter was only informational for this evening. Counsel concurred and indicated that the matter was ongoing. A prehearing conference was held, and the parties have insisted on a right to a hearing. A hearing to resolve the matter is now being scheduled.

3. The Guam Waterworks Authority

The Chairman announced that the next item of business on the agenda was GWA Docket 15-09, Review of Contract with JMI Edison for Chemicals, ALJ Report, and Proposed Order. Counsel indicated that this matter involves chemicals that GWA uses for the Hagatna and Northern Wastewater Treatment Plants. GWA had a contract in effect for chemicals on June 2014 and prior. Under that contract with JMI, various chemicals had been purchased; it appeared at that time, as of June 2014, that the \$1M threshold that GWA has under the Contract Review Protocol was about to be breached. GWA was attempting to enter into a new contract for the chemicals. The chemicals include polymers and other chemicals. There was an ongoing bidding process. Difficulties later developed with the process; in February 2015 there were negotiations with the selected contractor, but GWA later awarded the bid to another contractor. In the meantime GWA was required to purchase chemicals on an ongoing basis in an amount of \$874,966.78. GWA needed these chemicals to comply with Clean Water Act and other requirements of the U.S. EPA. The purchase of these chemicals was in excess of the Contract Review Protocol threshold, which should have triggered PUC review.

GWA alleges that it did not pursue contract review because of the difficulties with the procurement process, and that it “was forced to choose between non-compliance with the federal regulation and the Contract Review Protocol with the PUC”.

ALJ Alcantara examined the situation and concluded that the chemicals were certainly needed by GWA. GWA does need these chemicals and had to purchase them regardless of what was occurring with the bidding and the contract. The ALJ found that GWA’s expenditure of approximately \$800,000 (+) dollars over the contract review threshold should be ratified.

Counsel questions whether there was, in fact, any conflict between the federal regulations and the Contract Review Protocol. But since GWA needed the chemicals, the ALJ has recommended that GWA’s request be approved. Upon motion duly made, seconded and unanimously carried, the Commissioners approved GWA’s request to ratify expenditures to JMI for Chemicals and adopted the Order made *Attachment “B”* hereto.

The Chairman advised GWA Counsel that GWA should call or make a request to the PUC next time. GWA Counsel indicated that this matter was complicated, but that GWA did actually go out of compliance because the purchase of the chemicals had to be done immediately.

4. Port Authority of Guam

The Chairman indicated that the next item of business was PAG Docket 15-04, Tariff Increase Petition, Slater/Nakamura Report, ALJ Report, and Proposed Order. ALJ Alcantara indicated that PAG’s petition for increase Tariff was submitted to PUC Consultant Slater/Nakamura for its review. Petition requested a 7% increase in the PAG Terminal Tariff rates, excluding the crane surcharge. In accordance with the Ratepayers’ Bill of Rights, Public Hearings were held in the villages of Asan, Dededo, and Hagatna, on October 15, 2015 and October 16, 2015. On October 19, 2015, Slater provided the ALJ with its report.

The Rate Petition is based on testimony’s submitted by PAG General Manager Brown, Deputy Felix Pangelinan, and Ms. Dela Santos, and is also supported by Resolution No. 2015-01, issued by PAG’s Board of Directors (which authorize the rate increase). Consultant Slater noted that, although PAG presented documentation for a 5-year increase, it only petitioned PUC for a single-year rate increase. The 7% increase was designed to continue payment of debt service on existing loans (for instance, \$7M in wharf repairs), \$1M towards the terminal operating system and \$2M to purchase two top lifters. The increase will assist PAG in funding its operations on capital programs as well as to assist PAG with additional debt, to be paid over 30 years, to fund its gate operating system, Hotel Wharf and administrative building projects.

PUC Consultant Slater felt that the 7% increase would only have a marginal impact on consumer prices. Slater compared the PAG rates to rates implemented in Hawaii. It concluded that Hawaii had increased rates by over 76% over the past five years, whereas PAG had only increased its rates by 14%. Slater felt that the rates sought by PAG were not sufficient to cover operating costs, capital investments, and debt service. Slater also noted that container counts have dropped in the past two years, but revenue tonnage did not. Between 2007 and 2014, PAG experienced a 14% reduction in total containers handled, primarily due to the loss of trans-shipment business by PAG. Slater found that PAG's request for rate increase was just and reasonable. Based on its review of the PAG financial forecast, including loss of revenue from transshipment, PAG will have difficulty funding operations and maintenance, and will have minimal financial reserves. Slater recommended that PAG review the impact of the 7% increase to determine if another increase was justified. The Consultants suggested that PAG establish a financial reserve. The Proposed Order submitted with the ALJ Report recommends that the PUC approve the 7% increase.

The Chairman asked whether the Port had any comments to make. GM Brown indicated that the Port is appreciative of the ALJ Report in terms of supporting the 7% increase. The Port board does anticipate that Management will go back to the Board to outline specifically the additional projects, particularly upgrades for infrastructure. The Port is completing the DOD investment of \$50M in the Port expanded yard. In the near future, the Port will address rebuilding the whole waterline system within the existing yard, which will be expensive. Additional items for renovation at Hotel Wharf will cost the Port between \$20-22M. The Port may also seek to build a new administrative complex.

However, the Port does not agree that it is over capacity with regard to the number of cranes. A large Matson vessel comes in every week, and the Port needs the ability to unload that cargo, and transfer it to the transshipment vessel. Gantry 3 is expensive, but the Port may this year ask the Department of Commerce if it can provide a grant to change the drives on Gantry 3, to make it more comparable to the POLA cranes. If feasible, this should be done. It costs as much to maintain Gantry 3 as it does to maintain the three other POLA cranes. Gantry 3 is needed because sometimes the Port must take down the other cranes for maintenance. The American President Lines is returning to Guam. The return of APL is taking the Port down the anticipated road of the military buildup. In the not too distant future, the Port will come back before the PUC to address the remaining four years to what was originally a 5-year Tariff petition request.

The Chairman asked whether, if the PUC granted the 7% increase this evening, what extra revenues would this mean for the Port. GM Brown indicated that the amount was \$2M. This amount is not really significant in terms of the Port's needs. The community will have to absorb any additional costs and rate increases. The Board has recently

made the greatest investments in its facilities that have been made in the last 50 years. The expensive infrastructure must be maintained and upgraded.

The Chairman asked whether the Port's preference at this stage was to have four cranes operating. GM Brown stated that was the Port's desire. Gantry 3 needs repairs and a structural engineer is determining whether those repairs can be made.

The Chairman asked the GM whether the Port will incrementally increase salary increments for employees up to the 50th percentile. GM Brown indicated that the Port would have to increase salaries incrementally. Salary increases would have to be viewed in terms of whether the Port can afford them in light of the other critical operations. The Chairman asked when the PUC could expect a report from the Port on the proposed salary increases/options. Ms. Brown was not certain when the matter could be brought to the PUC. It could be in January of next year, or possibly by March. Ms. Brown also hoped that maybe the 5-year rate plan could be brought back to the PUC by that time. GM Brown indicated that the cost and security requirements for bringing cruise vessels into the existing yard would be very expensive for the Port. But it can be accommodated at Hotel Wharf.

Commissioner Perez asked how old the Administration Building was. GM Brown said that it was close to 50 years old. Since the 1960s the only thing that has been added was the Port's expanded yard. The Chairman asked whether the Port could accommodate a tour for the PUC Commissioners. GM Brown indicated that the Port would be happy to conduct such a tour. GM Brown recognized the contributions of the Port Operations Manager, John Santos. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Port's request for a 7% rate increase, and adopted the Order made *Attachment "C"* hereto.

5. The Guam Power Authority

The Chairman announced that the next item on the agenda was GPA Docket 15-18, Petition for Procurement of Temporary Power Services for Loss of Cabras 3 & 4, Contract Award Approval, PUC Counsel Report, and Proposed Order. Counsel indicated that, at the last meeting, the PUC had approved the procurement by GPA of these temporary generation services. GPA was authorized to go out on a bid and to seek 40 to 60 megawatts of leased generation services. The approved idea was that a provider would come from off island with its own generation facilities, bring those to Guam, plug them into this substation on Guam and then provide power with operations also being done by that provider. At the last meeting, PUC had also required that GPA produce a report concerning the Tanguissan Plants and whether they were an available option to provide additional generation. GPA was also asked to provide a plan for implementation of the time of use rates. GPA did file both reports today. Counsel feels that GPA has explained why the Tanguissan Plants are not a viable option at this time. The facility is no longer permitted by the USEPA. If GPA were to attempt to reopen or reactivate the Tanguissan Plants, it would have to go

through the permitting process. Since the Tanguissan Plants are not particularly efficient in terms of fuel burning, they might not receive a permit. Tanguissan employees have already been reassigned to other plants. Counsel concurs with GPA that, at present, the Tanguissan Plants are not going to be an available option.

As to time of use rates, GPA is proceeding ahead. Its consultant Black & Beatch is proceeding ahead with a proposal for such rates. GPA is estimating that it could have a time of use rate program in effect at the beginning of February of next year. GPA has complied with the requirements of the PUC from the previous Order.

In terms of the actual subject matter, GPA did go out for a bid for the temporary generation services. There were four bids from large worldwide companies that provide these types of services. The lowest responsive bidder was Aggreko, a Scotland Company. GPA is proposing a contract with Aggreko for one year with two 1-year options to extend. Aggreko will be providing 40 one megawatt units to be placed at the Yigo substation. These units will be brought into Guam by ship, rolled off, and placed at the Yigo site. They will be connected into the substation to provide the leased generation services. The cost is roughly \$11.7M per year plus the energy conversion charge. There is an issue as to how GPA will pay for these services in the interim. Hopefully they will be later be reimbursed by insurance. GPA has asked for permission to tap the self-insurance fund. Prior to reimbursement by insurance, GPA asks that they can tap the self-insurance fund and later pay it back when they receive insurance funds.

The draft contract is in its early stages. There is no final contract yet. The Proposed Order in this matter would require that the final contract be filed with the PUC. The Commission should approve this temporary generation. GPA does presently have a generation "under-capacity". 78MW were lost as a result of the Cabras explosion. GPA does not presently have enough capacity to produce the power that the island needs. There have been a number of outages and load shedding since the explosion. The quickest way of obtaining the additional generation capacity is through these temporary generation services. The Proposed Order would approve GPA's entering into the contract with Aggreko and authorize GPA to use the Self-Insurance Fund for this purpose. The Self-Insurance Fund specifically mentions accidents, explosions, and fires as appropriate reasons to use the Self-Insurance Fund. GPA's request falls within the Protocols. The Proposed Order would also require GPA to file the final contract with PUC.

The Chairman asked whether GPA had any comment. GM Benavente indicated that he would answer any questions. Commissioner Niven asked what the balance was in the Self-Insurance Fund. GM Benavente indicated that it was approximately \$20M. It was indicated that the surcharge was not presently in affect. Commissioner Niven asked whether GM Benavente had given thought to whether to reinstate the surcharge. GM Benavente said it could be reactivated in accordance with the Protocols. The GM did not feel that it was yet necessary to reactivate the Self-Insurance surcharge, as he

believes the repair of the Cabras Plant will be fully funded by the insurance proceeds. There could be a drawdown of \$1M per month for the Aggreko contract. There will also be savings from the use of the Aggreko generators, since they are more efficient, of about \$6M. The \$12M cost Aggreko is basically offset by at least half. There will likely be a withdrawal from the Self-Insurance Fund for two and one half million, the amount of the deductible. The Chairman asked when Mr. Benavente thought that the insurance would refund the \$12M back into the Self-Insurance Fund. GM Benavente was not certain, but thought that GPA would receive some funding within three months. The Chairman expressed the concern the Commission that the Self-Insurance Fund will be depleted, because there is also the other roof repair matter to deal with, which will also be funded by the Self-Insurance Fund. GM Benavente indicated that was correct. The Chairman felt that the Self-Insurance Fund might be depleted. GM Benavente is hopeful that the Self-Insurance Fund will be reimbursed by GPA before the \$10M level is reached.

Commissioner McDonald asked when the generators were expected to be online. GM Benavente thought that the generators could be online around the last week of December. Commissioner Montinola asked GM Benavente whether the interruptible load customers would be operating by that time. GM Benavente indicated that he would ask the CCU Commissioners to extend another three months to cover all of this. Right now GPA is at approximately 12 or 14 megawatts of interruptible load from the major large customers. 10MW from GWA, and another 10 or so from DOD. Commissioner Montinola asked what was the original cost for the interruptible customers. GM Benavente indicated that the original budget for interruptible load was \$500,000. It was for three months. GPA has used less than \$100,000 for this month of October. He felt that the extension would probably still fall within the \$500,000. Commissioner Montinola asked whether the \$11M was just for the rental of the Aggreko generators, and whether there is also a per-kilowatt charge. GM Benavente indicated that was correct. Mr. Benavente indicated that the per-kilowatt charge was less than the normal amount per energy. When the Aggreko generators are running, there are fuel savings.

Commissioner Montinola asked whether there are any risk of using the Aggreko generators for a second year. According to his plan, GM Benavente indicated that the generators would not be used for a second year. For a second year, he would have to go through EPA permitting processes. After one year there would also be additional emission requirements that would have to be added and monitored. Commissioner Montinola asked whether the 12M should be spent on rented generators. GM Benavente indicated that, if GPA did not bring this capacity in, it would still have to spend at least \$6M in additional fuel cost. Though, the \$6M offsets the \$12M cost—there is really a net cost of \$6M. \$6M really brings us this additional capacity for the one year period. Commissioner Pangelinan stated that the contract calls for 40 one megawatt units. He wondered if it were possible to build into the contract to allow for the possibility that GPA might need more units. GM Benavente indicated such a

provision could be added in. Legal Counsel Botha stated that was no problem, as the original proposal made by GPA was for 40 to 60 megawatts. Mr. Benavente indicated the fact that hotels, and GIAA, were offline, has helped.

Commissioner Pangelinan asked if the site which had been prepared for the new generators could accommodate additional units if necessary. GM Benavente indicated that if GPA were to add more beyond the 40 units, it would have to perhaps utilize the Marbo Site. Commissioner McDonald voiced a concern about the Self-Insurance Fund. It could take six months to pay off the insurance claim and in the meantime there would be no self-insurance surcharge in effect. GM Benavente was confident that GPA would receive the proceeds in a timely fashion. GPA will try to get the proceeds coming in through the adjusters. The Chairman suggested that GPA should indicate a particular figure, i.e. \$10M, at which point the Self-Insurance Surcharge should be reactivated. Counsel clarified that at present, the protocol provides that the surcharge is automatically reinstated when the Self-Insurance Fund reaches \$18M. GM Benavente is requesting that the Self-Insurance Fund be delayed or postponed for a couple of months.

Commissioner Perez asked whether GPA has started the investigations on Cabras 3 & 4. GM Benavente indicated that there were several ongoing--the insurance adjusters are coming in again. GPA is checking several things including whether Cabras 3 is repairable or not. The Chairman asked whether any significant section of the roof has fallen down at this stage. GM Benavente indicated that it had not. He indicated that the crane was still holding. Commissioner Pangelinan asked Mr. Benavente whether the insurance adjusters had expressed any issues with coverage or lack of coverage. GM Benavente indicated that they had not. He thinks that they are already reserving the funds. The Chairman asked, if Cabras 4 was a total loss and the insurance company provided \$120M or \$140M, how much latitude GPA would have when using the money. Would be the insurance company's view that the money had to be spent on putting a specially targeted generator in the same location, or would GPA have latitude to use those funds elsewhere at a different site and involving a different type of generator. GM Benavente said that he had asked that question too and that there was some latitude. With Cabras 3, GPA is talking about repairs. But for Cabras 4, several opinions that it is not repairable. The Chairman asked whether the money could be partially or fully used in something other than generation. GM Benavente was not sure, he thought the issue could be resolved. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the contract between GPA and Aggreko for temporary generation services and adopted the Order made *Attachment "D"* hereto.

The Chairman stated that the next item on the agenda was GPA Docket 15-21, Petition for Approval of Expenditures for Demolition of Cabras 3&4 Roof, PUC Counsel Report, and Proposed Order. Counsel indicated that GM Benavente would like to introduce the new Chief Financial Officer of GPA to the Commission. GM proceeded to introduce

Mr. John Kim. The Chairman welcomed him and indicated that the Commission looked forward to working with him. Mr. Kim thanked the Chairman.

Counsel stated that, as a result of the Cabras Plant explosion, there was considerable damage to the building and particularly its roof. GM Benavente explained that it is now very difficult for GPA to enter the building to really assess whether either Cabras 3 or 4 can be operable in the future or what the root cause analysis is for the explosion. The safety of the structure must first be assured. GPA needed to go out for a bid to see what it would cost to shore up the structure and to remove a lot of the roof, and to put up temporary structures to guarantee safety. The bid was actually done through GPA's Performance Management Contractor, Korea East-West (PMC for Cabras 3 & 4). It is sometimes appropriate for GPA to use a PMC to streamline the procurement process.

There were two on island bidders, Pernix Guam LLC and Smithbridge. Pernix was the lowest responsible bidder; GPA is now proposing to enter into a contract with Pernix to provide construction services for the plant roof demolition and associated building demolition work. The Order prepared for the Commissioners would indicate that GPA has justified the need for this contract. Although Korea East-West went out for the bid, GPA will be responsible for paying the amount of the Contract. The Contract is justified based upon the occurrence of the explosion and the need to continue to investigate future potential use of these plants and the root cause analysis. The cost of the contract is \$4.8M. The insurers also requested that GPA provide incentive payment for Pernix to finish the job early. If the Contractor finishes the project 60 days early, it will receive an additional \$500,000. Lesser amounts are provided to the Contractor for completion within specified periods. Thus, the total actual amount for which GPA seeks authorization is \$5.3M.

The Chairman asked what the targeted time frame contract was. GM Benavente stated that it's 60 to 90 days for removal. The incentive to Pernix is designed to shorten the time to less than 60 days. If Pernix finished the job in 30 days, it would receive the extra \$500,000 according to the Chairman. Chairman asked whether Pernix would be taking down some of the walls too. GM Benavente said that it not be the walls, but taking off the roof and shoring it up so that the walls do not fall out. Pernix would also build a temporary roof that would protect the plant from the elements. The next portion of the project will be designing and operating a permanent roof. This project is just for the temporary roof. Once Cabras 3 is examined, some cylinder liners such as pistons will have to be pulled out to make sure that the fire itself did not overheat the engine. Then there will be a process of ordering parts.

The Chairman asked what the temporary roof would be made from, a fabric or something else. GM Benavente indicated it would be a lot of wires and different things and some kind of harness. The process will be determining what will be done with Cabras 3 & 4. The Chairman asked whether the temporary roof was indicated in the bid. GM Benavente stated that it was in the contract. The Chairman noted that the

proposal indicated the possibility of removing some of the upper walls up to 30%. GM Benavente indicated that was because there is an overlap on the roof. They will also need to remove the crane because it is damaged beyond repair. GM Benavente indicated that GPA hired a structural engineer who prepared this scope of work. Cabras 3 will be needed to be in place in the next 5 months. The control room takes about 5 months. GPA is attempting to get quotations for the critical path to figure out some of these orders. The Chairman asked whether GPA has communicated recently with USEPA. GM Benavente indicated that GPA had been in regular contact with USEPA and GEPA. GPA needs their assistance with permitting for the new temporary power. Also, the Orote Power Plant needs to be permitted for Engine 1 again. GPA is also working towards permitting for the Dededo CT. Commissioner Perez asked whether the temporary roof was in the proposal. GM Benavente stated that it was, but indicated that GPA would double-check further.

Commissioner Pangelinan asked whether the insurance company, having suggested incentive pay, the incentive numbers that were being considered. GM Benavente believes that the insurance has seen incentive amounts considered. The Chairman asked whether Pernix would start as soon as the PUC approved the project. Benavente indicated the project would start once GPA receives approval. Upon motion duly made, seconded and unanimously carried, the Commissioners authorized GPA to expend \$5.3M to Pernix Guam LLC for the roof demolition/construction services for the Cabras 3 & 4 Plants and adopted the Order made *Attachment "E"* hereto.

The Chairman announced that the next item on the agenda was GPA Docket 15-05, Petition for Approval of Procurement of New Generation Combined Cycle Units, PUC Counsel Report, and Proposed Order. Counsel indicated that this docket originated back in November 2014. At that time GPA filed its plan to build 120MW of new combined cycle plants with an option for an additional 60MW. The main justification provided by GPA was the need for compliance with various USEPA requirements, such as the MATS and RICE MACT rules. There has been a detailed evolution of this process, which Counsel will not cover in detail. However, basically, the PUC Consultant Lummus engaged in a lengthy undertaking with GPA to examine its proposals for new generation and to determine whether such generation was necessary, and what other elements should be included in a generation plan.

In January of 2015, the PUC rejected GPA's petition, finding that there was insufficient evidence to find that new generation capacity was justified. However, PUC ordered that its Consultant continue to work with GPA. This has been an ongoing process up until the end of August 2015. At that time Lummus issued its lengthy report. The Commissioners have been provided with copies of that report previously. The basic findings of the Lummus Report were that, in terms of compliance with USEPA requirements, there were less expensive alternatives than building new generation units, such as use of other fuel mixes, that would satisfy the requirements. Lummus felt that Cabras 3 & 4 plants could be maintained, as well as possibly Cabras 1 & 2. Instead

of focusing, as GPA did, only on the need for new generation, Lummus proposed combining other elements in the generation plan such as renewables, demand side management, repair/renovation of the transmission and distribution facilities, etc. Lummus felt that all of these elements should be incorporated into the overall power plan.

The Report that Lummus filed on August 21, 2015 recommended that the Commission reject GPA's plan for new generation. It indicated that a utility would generally build new generation when there was increasing demand for power. Regarding the present situation in Guam, there was no showing that there has been any increased demand for power, and no proof of the need for new generation facilities. However, just ten days after the release of the Lummus Report, on August 31, 2015, a major occurrence was the explosion of the Cabras 3 & 4 Plants. This event does change the circumstances now because GPA lost 78MW of reserve capacity in the system. When that extra reserve existed, it appeared that there was sufficient generation to satisfy the load. However, as also discussed with regard to temporary generation, it now appears that there is likely not sufficient load in the GPA system. This may be a temporary situation, but there is a need to look ahead and think about how GPA will plan for the future. The PUC Counsel Report and Proposed Order are an effort to get back on track in this Docket; to look down the road, and to start thinking about what kind of generation should be proposed.

In the Counsel Report, the recommendations section sets forth some of the considerations that should go into this issue. The proposal is that GPA would have 120 days to come up with a plan for how much generation is needed. The PUC has not had an update from GPA on this matter since the explosion on the present need for long-term generation. It is difficult to determine at present whether Cabras 3 & 4 will fit into the new generation plans. The Order before the Commissioners would authorize GPA to come back to the PUC within 120 days to indicate what the new generation plan will be. There are basic parameters in the Order. It indicates that, prior to the explosion, the case was not good for new generation. Now the new generation is definitely something that should be considered. PUC should require that GPA incorporate other elements into its plan, such as time of use rates, condition assessments of all of the Cabras Plants, and an approach for the new generation model involving an independent power producer. The new generation capacity would not be paid for by bonds, but GPA should hire an IPP to build the plants and operate the plants. GPA is currently looking at a Phase 2 for an additional 40MW of solar. The PUC adopted plan would require GPA to report back on renewables, what the plans are, and when it is going to move forward with Phase 2. The plan should also address renewables for the military (Phase 3). In addition, there is a Phase 2 on battery storage, which would be designed to store solar energy. These are all elements that the PUC should ask GPA to include in its plan.

For now, there would be a finding that there is not enough evidence presented by GPA to proceed ahead with LNG. The door is not closed, if at some point, more work is

done and it appears that LNG is feasible. The determinations in the Order would stress that the explosion of Cabras 3 & 4 really does bring new factors into play. There is a need for PUC to move ahead and work with GPA to address a very serious problem. In its plan GPA will indicate if combined cycle is still the preferred alternative or if there are other options. One approach would be for GPA to leave it up to the proponents, the bidders, to propose what type of power should be used. Another issue is the feasibility of the return of Cabras 3 & 4 to service, and the need for a condition assessment of those plants. GPA should continue to address the Lummus findings in its report.

The Chairman asked GM Benavente if he wished to comment. GM Benavente indicated that Counsel had set a path ahead for GPA. He believes that 120 days is appropriate. It gives GPA some direction to deal with the new plan. As Counsel indicated, issues have changed. GPA will go ahead with evaluation of Cabras 3 & 4. GPA will plan to provide the Commission an update on its generation plan within 120 days. Chairman Johnson asked the GM whether he has a general sense of what GPA would be looking for as to the new plants. GM Benavente indicated GPA would probably still end up with the 120MW with an option for 60, the extra 60MW being to retire Cabras 3 & 4. GPA wants the capacity option because it appears that there are new hotels in line and GPA wants to assure that it has some capacity option if this did occur. GPA has been planning on increasing growth. The demand has made an upturn last year peak was 249MW, and this year it went up to 255MW. For this year, from October to the end, it is expected that the peak load will be around 235MW. The load is still staying in the 246-248MW range. However it does appear to be an increase in demand. The Chairman indicated that two programs important to the PUC are demand side management and time of use rates. GM Benavente indicated that the final marketing plan for DSM is about to be completed; he recommended that the rebate for washer and dryer be increased from \$50 to \$100. It looks the plan can be implemented at the end of November.

The Chairman asked what was occurring with Phase 2 Renewables. GM Benavente indicated it was a difficult process because the matter in which fuel prices have come down. GM Benavente plans to make a decision on Phase 2 very shortly. GPA and Department of Defense continue to work on renewables with the Department of Defense. DOD is thinking about using approximately 200 acres for renewables at several sites around the island, which GPA estimates to be about 45MW of capacity. Since DOD is providing the land, the issue is what is the best technology for renewables. GPA is hoping that it will be the end of the year for the next phase of renewables with DOD. Chairman asked whether the renewables would just be for the use of the military, or whether it would be plugged into the overall system. GM Benavente indicated they would be plugged in to the overall system. GPA is looking at assuring that it has battery storage too. Commissioner Niven indicated that he does not believe that the activities and initiatives included in the plan are limiting. There are valuable initiatives, such as interruptible rates, or others, that can be included in the Plan by GPA. GM Benavente concurred with Commissioner Niven's comment.

Commissioner Niven also mentioned that, as to storage, that not only central energy storage was involved, but also distributing generation to storage. Chairman indicated to GM Benavente, as a "heads-up", demand side management was now limited to washer, dryer, and air conditioners. However, as a second phase, as Commissioner Niven was indicating, maybe there could something like distributed energy storage in homes and businesses by providing a rebate to someone for having battery storage in their own solar system and in the home as a possible option. The demand side management program can be expanded later on. For now PUC is just attempting to get the program in place. GM Benavente indicated that, if battery storage was provided, that would reduce the shape towards the peak. It actually works with demand. The Chairman indicated that such a plan would come later. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the provision of a new generation plan by GPA within 120 days, and adopted the Order made *Attachment "F"* hereto.

6. Administrative Matters

Counsel indicated that there was one matter for informational purposes, the filing of the GBB Quarterly Report on the Host Village Premium Fund.

Counsel also indicated that there was an issue concerning the PUC Consultant, Lummus. Lummus is a division with the Chicago Bridge & Iron Co. CBI notified Lummus that it is terminating Lummus as a branch or division, such that Lummus would no longer be a part of CBI. CBI determined that it no longer wishes to have a consulting division. The Chairman asked whether they were selling Lummus or just "excising them". Counsel indicated that they are excising them. However, Kathy Kelly has proposed a path whereby CBI could assign the contract, the PUC Consulting Contract, to Kathy Kelly's business ("Kelly Energy Enterprises"). The same people could continue to work with Kathy, such as Bob Grenemen and David Russell. Counsel indicated to Ms. Kelly that would be up to the decision of the Commissioners. A form of assignment has been reviewed and is in the process of discussion and revision. It was explained to Ms. Kelly that the PUC would have to be satisfied with matters such as Ms. Kelly's business license, her Articles, Certificate of Good Standing, and some agreement as to representation by those other consultants, and that they would continue to provide services. Counsel is merely apprising the Commissioners of the situation at the present time.

Commissioner Niven asked what matters, other than the new power plant docket, was Lummus working on. Counsel indicated that it was working on DSM. Commissioner Perez asked when the contract expires. Counsel indicated that it was in 2018, along with the others. According to Counsel, one advantage of the Lummus group is access to a wide variety of consultants. Commissioner Pangelinan asked whether there was an issue of procurement under doing an assignment in this manner, whether it would be acceptable as long as Lummus is the one that is awarded the contract. Counsel

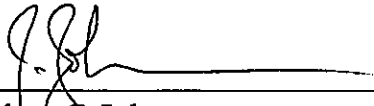
indicated that the procurement issue was tricky. The enabling statute gives the PUC broad authority to hire consultants. In the last number of years PUC has gone down the path of accepting that the procurement law is applicable. But, the Commissioners have broad powers under the statutes. Commissioner Perez asked whether another bid could be put out. Counsel indicated that was an option. Commissioner Perez asked whether there was any guarantee that Ms. Kelly's group would have the same resources as Lummus. Counsel indicated that he would inquire into this. Going out for a new bid is also not an easy process. But ultimately the Commissioners will make that decision, any Assignment is subject to the approval of the Commission.

The Chairman asked whether Ms. Kelly indicated that CBI would approve the Assignment. Counsel indicated that he was now working on an Assignment form. One issue is CBI's potential liability, both before and after the Assignment. CBI also wants an assurance of payment. Commissioner Perez asked whether the Assignment and the new RFP could be done simultaneously. Counsel indicated that PUC already has two consultants. Counsel's belief is that PUC can reduce the cost of its consultants. Commissioner Perez suggested that Ms. Kelly's group could lower the rates if it wished to keep the business. Counsel indicated that Ms. Kelly had indicated its willingness to do that. Commissioner McDonald suggested that Counsel engage in the call with the Consultants and then get back to the Commissioners. He also questioned whether it was always necessary for the Commission to rely on consultants, or allow them to decide everything. Upon motion duly made, seconded and unanimously carried, the Commissioners authorized ALJ Horecky to go back to Kelly Energy and to find out what rates it would charge the Commission.

Administrator Palomo indicated to the Commissioners that she was working with Senator Tom Ada's Office concerning the term of Commissioner Pangelinan with the PUC. Senator Ada's Office believes that Commissioner Pangelinan's term ended October 31, 2015; but there is an additional period of 90 days for an acting capacity plus three legislative days. Ms. Palomo is working with Commissioner Pangelinan to provide the reappointment package. Commissioner Pangelinan asked whether previously, Senator Ada had indicated that Mr. Pangelinan had another year or two on his term as Commissioner. Administrator Palomo said that was correct. Senator Ada previously had a different list. The Chairman asked whether Senator Ada's Office had gone over this matter again, and the Administrator indicated that he had. They were now updated dates for the terms of the Commissioners. The Administrator indicated that Senator Ada's Office now indicates that PUC should use the chart attached to his email. Ms. Palomo indicated that Chairman, and Commissioners McDonald and Montinola's terms are up in 2017. Commissioners Cantoria, Niven, and Perez terms are up in 2019. Commissioner Perez asked whether this new list from Senator Ada's Office was reliable. Ms. Palomo indicated that she spoke with Senator Ada himself. Counsel indicated that the Commissioners' terms are based upon the appointments of the original Commissioners at the beginning of the Commission, not necessarily from the date upon which each Commissioner assumed office. Chairman and Counsel

confirmed that the PUC had 90 days plus three legislative days to accomplish Commissioner Pangelinan's reappointment. Administrator Palomo indicated that she would call the Governor's Office to commence the reappointment process.

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



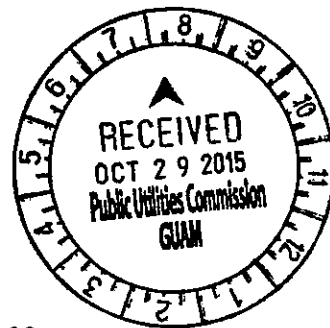
Jeffrey C. Johnson
Chairman

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
SUITE 202, GCIC BUILDING
414 W. SOLEDAD AVE., HAGATNA, GUAM
6:30 p.m., October 29, 2015**

Agenda

1. Approval of Minutes of September 24, 2015
2. TeleGuam Holdings LLC
 - GTA Docket 15-05, GTA Complaint re: Non-Payment of UNE Loop Invoices, ALJ Report, and Proposed Order
3. Guam Waterworks Authority
 - GWA Docket 15-09, Review of Contract with JMI Edison for Chemicals, ALJ Report, and Proposed Order
4. Port Authority of Guam
 - PAG Docket 15-04, Tariff Increase Petition, Report by Slater Nakamura, ALJ Report, and Proposed Order
5. Guam Power Authority
 - GPA Docket 15-18, Petition for Procurement of Temporary Power Services [for loss of Cabras 3 & 4][Contract/Award Approval], PUC Counsel Report, and Proposed Order
 - GPA Docket 15-05, Petition for Approval of Procurement of New Generation Combined Cycle Units, PUC Counsel Report, and Proposed Order
 - GPA Docket 15-21, Petition for Approval of Expenditures for Demolition of Cabras 3&4 Roof, PUC Counsel Report, and Proposed Order
6. Administrative Matters
7. Other Business

ATTACHMENT A



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN RE: REVIEW AND APPROVAL OF)
PROPOSED REVISED)
CONTRACT WITH)
JMI EDISON FOR WASTE-)
WATER CHEMICALS)
_____)

GWA DOCKET 15-09

ORDER

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC” or the “Commission”) pursuant to the October 9, 2015 Petition for Approval of the Proposed Revised Contract with JMI Edison for the purchase of additional wastewater chemicals (the “Petition”), filed by the Guam Waterworks Authority (“GWA”).

DETERMINATIONS

According to GWA, on October 21, 2014, it issued Invitation for Bid No. IFB-2014-11 (“IFB-2014-11”) for the purchase of wastewater chemicals.¹ This procurement intended to succeed Invitation for Bid No. IFB-2013-06 (“IFB-2013-06”), which was the original bid for the purchase of wastewater chemicals,² which did not undergo PUC review.

The bid opening for IFB-2014-11 was held on October 21, 2014, and a Notice of Award eventually issued to Core Tech International Corporation (“Core Tech”)

¹ Petition by Guam Waterworks Authority for Approval of the Proposed Revised Contract with JMI Edison for wastewater chemicals (“Petition”), p. 1 (October 9, 2015).

² Petition, p. 1.

ATTACHMENT B

in February, 2015.³ According to GWA, however, contract negotiations with Core Tech were unsuccessful.⁴ Thereafter, GWA awarded the contract to the second highest bidder.⁵

During the time IFB-2014-11 was being evaluated through April 15, 2015, GWA purchased \$997,590.80 worth of chemicals under the JMI Edison contract, due to GWA's inventory being critically low.⁶ As a result, the JMI Edison contract "exceeded the One Million Dollar threshold under the Contract Review Protocol" by \$874,966.78,⁷ which triggered the instant review.

Pursuant to 12 G.C.A. §12004,⁸ GWA may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC's express approval. In addition, GWA's Contract Review Protocol requires that "[a]ll professional service procurements in excess of \$1,000,000" require "prior PUC approval under 12 G.C.A. §12004, which shall be obtained before the procurement process is begun"⁹

According to IFB-2013-06, GWA sought pricing per pound for aluminum chlorohydrate ("ACH"), anionic polymer, and cationic polymer.¹⁰ Based on GWA's

³ Petition, pp. 1-2.

⁴ Petition, p. 2.

⁵ Petition, p. 2.

⁶ Guam Consolidated Commission on Utilities, Resolution No. 44-FY2015 ("CCU Resolution No. 44-FY2015"), "Exhibit C" ("CCU Summary: Breakdown Cost Overage from Procurement-April 15, 2015," and "Memo to File").

⁷ Petition, p. 2.

⁸ Renumbered as 12 G.C.A. § 12105.

⁹ GWA's Contract Review Protocol ("GWA CRP"), Administrative Docket 00-04, p. 1 (Oct. 27, 2005).

¹⁰ GWA's Invitation for Bid No. IFB-2013-06 ("IFB-2013-06"), p. 13 (May 24, 2013).

record before the PUC, GWA is required to purchase “ACH and polymer chemicals to ensure that GWA’s Northern District and Hagåtña Wastewater Treatment Plants (‘WWTP’) remain in compliance with the Clean Water Act”¹¹; as well as to “operate GWA’s Northern District Wastewater Treatment Plant (NDWWTP) and Hagåtña Wastewater Treatment Plant (HWWTP) and keep GWA in compliance with federal laws, permits and federal guidelines.”¹²

GWA submitted that the entire cost of the overage is \$874,966.78 through purchase order numbers 296449, 296490, 296491, 297821 and 297849,¹³ which included chemicals ordered from October 22, 2014 through April 15, 2015. The funding for this cost overage will be from GWA’s O&M Fund.

In its Petition, GWA maintained that “due to delays following award [of IFB-2014-11] (which coincided with GWA’s move to Fadian), GWA realized after careful consideration that in order to stay in compliance with federal guidelines relative to operation of the [Northern District Wastewater Treatment Plant], GWA Management agreed that it was in the best interest of the rate payers of Guam that it would order additional chemicals under its existing agreements with suppliers that had not yet expired as to time, but which exceeded the One Million Dollar threshold under the Contract Review Protocol.”¹⁴

¹¹ Petition for Approval of GWA’s Proposed Bid for Chemicals Regarding the Northern District Wastewater Treatment Plant and the Hagåtña Wastewater Treatment Plant (“July 30, 2015 Petition”), p. 1 (July 30, 2015).

¹² July 30, 2015 Petition, p. 2.

¹³ Petition, Exhibit 1 at Exhibit A.

¹⁴ Petition, p. 2.

In particular, GWA maintained that during this period, “the inventory of chemicals were critically low and in order to meet compliance GWA had to procure ACH from existing vendors and the overage product exceeded the \$1M threshold.”¹⁵ GWA contends that “[g]iven the time spent in the failed attempt to negotiate a contract as well as the time spent between the October bid submission and the request being made to draft a contract in late January of 2015, GWA was forced to order a significant amount of materials so that it could get the new contract in place with the 2nd lowest bidder in GWA IFB-2014-11 and then address the time necessary to have products delivered under the new contract—which according to GWA Procurement is usually around 60 to 90 days from the time the order is made.”¹⁶ GWA submitted that based on these circumstances, it had to “choose between non-compliance with [] federal regulations and the Contract Review Protocol of the PUC.”¹⁷

The instant petition is supported by Resolution No. 44-FY2015 issued by the Consolidated Commission on Utilities (the “CCU”) at its September 22, 2015 meeting. In the Resolution, the CCU found that GWA had to procure ACH from existing vendors since the inventory was critically low.¹⁸ It further found that such purchase exceeded the PUC’s Contract Review Protocol \$1 million threshold by \$874,966.78.¹⁹

¹⁵ Petition, p. 2.

¹⁶ Petition, p. 2.

¹⁷ Petition, p. 2.

¹⁸ CCU Resolution No. 44-FY2015, pp. 1-2.

¹⁹ See CCU Resolution No. 44-FY2015, p. 1.

Based on these findings, the CCU ratified and approved the additional amount owed to JMI Edison, along with any other vendor, for the purchase of the chemical ACH.²⁰ Accordingly, the CCU authorized GWA to pay the amount owed to JMI Edison for purchase order numbers 296449, 296490, 296491, 297821, and 297849, and corresponding invoices, totaling \$874,966.78.²¹

On October 27, 2015 the Administrative Law Judge of the PUC Joepheth R. Alcantara (the “ALJ”) filed a report regarding the Petition, which included his findings and recommendation based on the administrative record before the PUC.

The ALJ found that GWA’s purchase of the ACH chemical from JMI Edison was reasonable and necessary given that these chemicals are indispensable and required for GWA’s daily wastewater operations. In addition, the ALJ found that GWA had provided adequate documentation to support the ratification of the subject contract for the purchase of these chemicals, which GWA requires to operate its Northern District Wastewater Treatment Plant (NDWWTP), and keep GWA in compliance with federal laws, permits and federal guidelines. Therefore, the ALJ recommended that the PUC ratify the subject contract between GWA and JMI Edison resulting from IFB-2013-06, and authorize payment of \$874,966.78 to JMI Edison.

Based on the documentation provided by PAG in this docket, and for the other reasons set forth herein, the ALJ recommended that the PUC approve payment of the cost overage between GWA and JMI Edison, for a total cost not to exceed \$874,966.78.

²⁰ CCU Resolution No. 44-FY2015, p. 2.

²¹ CCU Resolution No. 44-FY2015, p. 3.

The Commission hereby adopts the findings contained in the October 27, 2015 ALJ Report and, therefore, issues the following:

ORDERING PROVISIONS

After careful review and consideration of the above determinations, the October 27, 2015 ALJ Report, and the record herein, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission hereby ORDERS the following:

1. That GWA's October 9, 2015 Petition for approval of the \$874,966.78 increase in the contract with JMI Edison for ACH chemicals is GRANTED and that such contract is hereby RATIFIED; GWA is therefore authorized to pay the amount owed to JMI Edison, not to exceed \$874,966.78.

2. GWA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses associated with the instant proceeding. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§12002(b), 12024(b) (renumbered as 12 G.C.A. §§ 12103(b) and 12125(b)), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

//

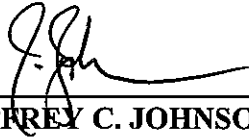
//

[SIGNATURES TO FOLLOW ON NEXT PAGE]

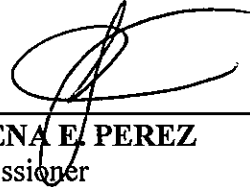
//

//

SO ORDERED this 29th day of October, 2015.



JEFFREY C. JOHNSON
Chairman



ROWENA E. PEREZ
Commissioner



JOSEPH M. MCDONALD
Commissioner

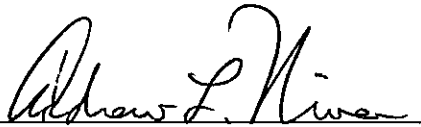
FILOMENA M. CANTORIA
Commissioner



MICHAEL A. PANGELINAN
Commissioner



PETER MONTINOLA
Commissioner



ANDREW L. NIVEN
Commissioner

P153063.JRA

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



INCREASE TARIFF PETITION OF
PORT AUTHORITY OF GUAM
FOR RATE RELIEF

PAG DOCKET 15-04

ORDER

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the Increase Tariff Petition (hereinafter referred to as the “Rate Petition”), filed by the Jose D. Leon Guerrero Commercial Port (“PAG” or the “Port”) on June 1, 2015.

DETERMINATIONS

On March 31, 2015, PAG published its proposed rates reflecting increases to PAG’s Terminal Tariff.¹ On May 19, and May 20, 2015, PAG submitted documents to a Port User’s Group and other customers for their review and comment.² On June 1, 2015, PAG filed its Increase Tariff Petition. Thereafter, the Administrative Law Judge of the PUC (the “ALJ”) transmitted a copy of the “Rate Petition” to the firm of Slater Nakamura, L.L.C. (“Slater Nakamura”), the PUC’s consultants for port authority matters. The ALJ requested that Slater Nakamura begin its review of the instant rate case. From August, 2015 through October, 2015, Slater Nakamura issued requests for information and PAG responded with documents and data.

Pursuant to the Ratepayers’ Bill of Rights, public hearings were held in the villages of Asan, Dededo, and Hagåtña on October 15, 2015 and October 16, 2015. At the public

¹ Report of the Tariff Investigation for the Port Authority of Guam (“Slater Nakamura Report”), submitted by Slater Nakamura, L.L.C., p. 3 (Oct. 19, 2015).

² Slater Nakamura Report, p. 3.

ATTACHMENT C

hearing conducted by the ALJ in the village of Asan on October 15, 2015, there was no testimony given by any member of the public. In addition, no written testimony from the public was submitted.

At the public hearing conducted by the ALJ in the village of Dededo on October 15, 2015, Mayor Melissa B. Savares provided testimony. In particular, Mayor Savares testified that with these rate increases, the senior citizens who are on a fixed income will suffer. Presently, the senior citizens have to choose between purchasing their medication or groceries. A lot of the senior citizens in her village cannot afford to pay for garbage disposal, and utility services. Ms. Brown stated that the Port needs to invest in its infrastructure and equipment, and that it is costly to maintain PAG's infrastructure, but that the Port must meet the demands of the community and must make this investment now.

At the public hearing conducted by the ALJ in the village of Hagåtña on October 16, 2015, there was no testimony given by any member of the public. In attendance during this public hearing were members of PAG's management and staff.

On October 19, 2015, Slater Nakamura provided the ALJ with its report on the rate investigation, which detailed its findings and recommendations. At the outset, the consulting team of Slater Nakamura noted that although PAG presented documentation for a 5-year tariff increase, PAG only petitioned the PUC for a single year rate increase.³ The instant request to increase PAG's tariff rates by 7% is for the following: continued payment of debt service on existing loans, which have funded \$7 million in wharf repairs; \$1 million towards the Terminal Operating System (TOS); and \$2 million to purchase two top lifters.⁴ The tariff

³ Slater Nakamura Report, p. 4.

⁴ Slater Nakamura Report, p. 8.

increase will also assist PAG in funding its operations and capital programs.⁵ PAG is also looking to assume additional debt, to be paid over thirty (30) years, to fund the Gate Operating System, and Hotel Wharf and Administration Building projects.⁶

In the Report submitted by Slater Nakamura, the consultants determined that a 7% increase would have a marginal impact on consumer prices, and therefore, the instant increase is “just and reasonable.”⁷ For instance, as submitted by PAG, the increase in unit cost for a canned beverage or a can of SPAM is \$.0006.⁸ For a twenty (20) pound bag of rice, the increase in unit cost is \$.0128.⁹

In comparison to other ports, Slater Nakamura examined the rate increases implemented in the state of Hawaii, and maintaining that the Hawaii Harbors Division seemed the most comparable to the Port.¹⁰ The consultants indicated that with compounding, Hawaii implemented an increase in rates by over 76% between 2010 and 2015, while PAG during the same time has increased its rates by only 14%.¹¹ Based on this example, Slater Nakamura found that the rate increase sought in this instance was “just and reasonable.”¹²

In its report, Slater Nakamura advises that the instant rate relief did not appear to be sufficient to cover operating costs, capital investments, and debt service.¹³ Slater Nakamura contends that “[t]hat the losses in base revenue combined with the proposed increases in

⁵ Slater Nakamura Report, p. 8.

⁶ Slater Nakamura Report, p. 8.

⁷ Slater Nakamura Report, p. 8.

⁸ Slater Nakamura Report, p. 8.

⁹ Slater Nakamura Report, p. 8.

¹⁰ Slater Nakamura Report, p. 9.

¹¹ Slater Nakamura Report, p. 9.

¹² Slater Nakamura Report, p. 9.

¹³ Slater Nakamura Report, p. 10.

operating costs provide[] for minimal excess revenues even with the proposed adjustments” given that PAG has lost revenue from transshipment, continues to defer maintenance, and plans to increase salaries.¹⁴ Slater Nakamura maintains that the tariff increase is insufficient “to cover operating costs and capital investments unless there is a military buildup”; and that the “projected revenues will not be sufficient to fund crane replacements in future years.”¹⁵

The consultants noted that “container counts have dropped in the past few years”, but that “revenue tonnage has not changed as dramatically.”¹⁶ According to the consultants, between 2007 and 2014, PAG experienced a 14% reduction in total containers handled.¹⁷ The consultants maintained that the reduction was “primarily due to the loss of transshipment business” and Marianna Express Lines’ decision in 2013 to utilize Majuro as a transshipment center.¹⁸

Slater Nakamura further noted the following business decisions warrant a higher rate increase: (1) No improvement in PAG’s financial margin; (2) Deferral of maintenance due to lack of funding; (3) Inability to cover planned capital and operational expenses; (4) Increase in salaries without corresponding increase in revenue; (5) Operating unnecessary equipment; (6) Excluding the Crane Surcharge from the rate increase; (7) Reliance on grant funding to meet operational needs; and (8) Process improvements that do not lead to reduced operating expenses.¹⁹

¹⁴ Slater Nakamura Report, p. 10.

¹⁵ Slater Nakamura Report, p. 11.

¹⁶ Slater Nakamura Report, p. 12.

¹⁷ Slater Nakamura Report, p. 11.

¹⁸ Slater Nakamura Report, pp. 11-12.

¹⁹ Slater Nakamura Report, pp. 13-14.

Based on its investigation, Slater Nakamura made the following findings. First, the consultants found that the requested increase to PAG's Terminal Tariff is "just and reasonable."²⁰ The consultants further found that PAG has deferred \$7.26 million in maintenance on critical equipment and infrastructure.²¹

Additionally, Slater Nakamura found that PAG "has not taken steps to reduce operating expenses; including but not limited to, reducing the number of cranes in operation despite direction from the Commission to consider this action."²² Finally, Slater Nakamura found, based on its review of the financial forecast, which includes the loss of revenue from transshipment, that PAG "will continue to have difficulty funding operations and maintenance and will have minimum financial reserve."²³

As indicated in the Slater Nakamura Report, the following recommendations were made. First, the consultants recommended the approval of the requested tariff rates.²⁴ The consultants also recommended that PAG review its plan to adjust salaries to the 50th market percentile to determine the impact on the financial stability of the Port, and that a report should be provided to the Commission by December 2015.²⁵ The consultants contend that "[t]his is recommended since the PAG's ratio of salaries to the overall operating expenses is the highest of any port we reviewed" and that "[i]t can be inferred that salaries are being increased at the expense of critical maintenance."²⁶

²⁰ Slater Nakamura Report, p. 15.

²¹ Slater Nakamura Report, p. 15.

²² Slater Nakamura Report, p. 15.

²³ Slater Nakamura Report, p. 15.

²⁴ Slater Nakamura Report, p. 16.

²⁵ Slater Nakamura Report, p. 16.

²⁶ Slater Nakamura Report, p. 16, n.12.

Next, the consultants suggested that PAG review the impact of the 7% increase to determine if another increase is justified.²⁷ More still, the consultants recommended that PAG review and implement “changes to operational activities which can reduce its maintenance backlog and cost operations” and suggested that PAG “report its plan to reduce OPEX to the Commission by March 2016.”²⁸ Lastly, the consultants suggested that PAG establish a financial reserve based upon ratios used by other ports.²⁹

On October 27, 2015, the Administrative Law Judge of the PUC (the “ALJ”) issued an ALJ Report detailing his findings and recommendations with respect to PAG’s Petition and the Slater Nakamura Report.

In the October 27, 2015 ALJ Report, the ALJ made the following findings based on: PAG’s Rate Petition; Resolution No. 2015-01 issued by PAG’s Board of Directors approving an across the board 7% rate increase to support the financial needs of the Port; the written testimony from PAG management; the October 15, 2016 and October 16, 2015 public hearings; and the October 19, 2015 Report submitted by Slater Nakamura.

The ALJ found that PAG’s request to increase its tariff rates by 7% for continued payment of debt service on existing loans is reasonable, prudent, and necessary given the current state of PAG’s infrastructure and modernization, as indicated in the record before the Commission. The tariff increase will help fund PAG’s debt service for \$7 million in wharf repairs; \$1 million towards the Terminal Operating System (TOS); and \$2 million to purchase two top lifters.³⁰ The tariff increase will also assist PAG in funding its operations and capital

²⁷ Slater Nakamura Report, p. 16.

²⁸ Slater Nakamura Report, p. 16.

²⁹ Slater Nakamura Report, p. 16.

³⁰ Slater Nakamura Report, p. 8.

programs.³¹ The tariff increase will further assist PAG as it looks to assume additional debt, to be paid over thirty (30) years, to fund the Gate Operating System, and Hotel Wharf and Administration Building projects.³² The ALJ, therefore, found that the tariff increase will help PAG “move forward and focus on facility improvement and long term sustainability”; and that “[f]unding from the Tariff rate increase will give the Port additional funding to continue its improvements that are needed.”³³

Section 12116 of Title 12 of the Guam Code Annotated provides that: “[a]ll rates, charges, assessments, and costs made or charged by any public utility shall be just and reasonable and in conformance with public law, and shall be filed with the Commission; and no rate, charge or assessment cost shall be established, abandoned, modified, departed from or changed without a public hearing and the prior approval of the Commission.” 12 G.C.A. §12116(a). Additionally, Section 12118 of the same Title provides that: “[t]he term just and reasonable as used in this Article is defined as that rate, charge or assessment cost which enables the public utility to repay its debts, finance its obligations, finance its capital improvement needs and cover all its operating expenses.” 12 G.C.A. §12118.

Based on the standard expressed above, the ALJ found that PAG’s tariff rate increase and adjustments are “just” and “reasonable” because such adjustments are necessary in order to enable PAG to “repay its debts, finance its obligations, finance its capital improvement needs and cover all its operating expenses,”³⁴ as well as for all the reasons stated in the Slater Nakamura Report, which are incorporated hereto by reference.

³¹ Slater Nakamura Report, p. 8.

³² Slater Nakamura Report, p. 8.

³³ Direct Testimony of Simeon S. Delos Santos, p. 2.

³⁴ 12 G.C.A. §12118.

Based on the administrative record before the PUC, the ALJ recommended that the PUC approve the proposed increases to PAG's Terminal Tariff rates, as petitioned by PAG, and which are indicated in "Appendix B" of the Slater Nakamura Report, titled "Recommended PAG Tariff Rate Table."

The Commission hereby adopts the findings made in the October 27, 2015 ALJ Report, and therefore, issues the following:

ORDERING PROVISIONS

Upon careful consideration of the record herein, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS the following:

1. PAG is authorized to implement the proposed 7% increase to PAG's Terminal Tariff rates, excluding the crane surcharge, which are indicated in "Appendix B" of the Slater Nakamura Report, titled "Recommended PAG Tariff Rate Table;"

2. PAG is further ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with this rate investigation. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b) and 12024(b) (renumbered as 12 G.C.A. §§ 12103(b) and 12125(b)), and Rule 40 of the Rules of Practice and Procedure before the PUC.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

//

//

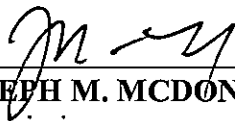
SO ORDERED this 29th day of October, 2015.



JEFFREY C. JOHNSON
Chairman



ROWENA E. PEREZ
Commissioner



JOSEPH M. MCDONALD
Commissioner

FILOMENA M. CANTORIA
Commissioner



MICHAEL A. PANGELINAN
Commissioner



PETER MONTINOLA
Commissioner



ANDREW L. NIVEN
Commissioner

P153065.JRA



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 15-18
)
The Request of the Guam Power)
Authority to Award the Temporary Power) **ORDER**
Services Contract to Aggreko International)
Projects Limited ("Aggreko").)
_____)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Request of the Guam Power Authority ["GPA"] to Award the Temporary Power Services Contract to Aggreko International Projects Limited ("Aggreko").¹

BACKGROUND

2. In its Order, September 24, 2015, the PUC authorized GPA to issue a procurement for temporary generation services.²
3. Due to the loss of 78MW of baseload capacity (as a result of the Cabras No. 3&4 Power Plant explosion and fire on August 31, 2015,), GPA presently has insufficient generation reserves.³
4. GPA received four (4) proposals as the result of its Temporary Power Services Procurement. It has selected Aggreko as the lowest responsible bidder.⁴
5. The specifics of the Contract and Award to Aggreko are set forth in GM Benavente's Presentation in the Sections denominated TEMPORARY POWER

¹ Guam Consolidated Commission on Utilities Resolution No. 2015-56, Authorizing Management of the Guam Power Authority to Award the Temporary Power Services, adopted October 27, 2015. The CCU Resolution serves as the "Request" in this matter due to the expedited nature of these proceedings. Herein, the CCU authorized GPA to petition the PUC to approve the contract with Aggreko International Projects Limited.

² PUC Order, GPA Docket 15-18, dated September 24, 2015 at p. 3.

³ Id. at pgs. 2-3.

⁴ Presentation of GPA GM John Benavente, Guam Power Authority Generation Capacity Alternatives, to the Commissioners of the Guam Consolidated Commission on Utilities on October 27, 2015, attached hereto as "Exhibit 1".

ATTACHMENT D

RECOMMENDATION and SERVICE LEASE OF THE 40MW OF TEMPORARY POWER.⁵

6. According to GM Benavente, Aggreko will supply 40 1MW units, which will run on Ultra Low Sulphur Diesel (ULSD), and be located at the Yigo Substation.⁶
7. Costs for the leased power services are estimated to be between \$12.15 and \$12.5M per year.⁷ Cost will depend upon the length of time that Cabras No. 3 is out of service.⁸
8. The leased generation services contract would be in effect for at least one year, with two one year extension options.⁹ Total monthly payments from GPA to Aggreko will be over \$1M.¹⁰ GPA anticipates that the Aggreko plants, which will be manned by six Aggreko personnel, will be operational within sixty (60) days (around January 1, 2016).
9. GPA believes that it will receive \$15M Extra Expense Insurance that will cover the cost of temporary power. It will need to use funds from the Self-Insurance Fund to cover the cost of the temporary power services until it is reimbursed by insurance coverage.¹¹

DETERMINATIONS

10. GPA has justified its need to procure temporary generation services and to award a contract to Aggreko. The complete loss of the 78.6MW in baseload capacity, as a result of the Cabras explosion, has placed GPA in a situation where it cannot meet system demand upon a baseload or large emergency unit outage.¹²
11. When there is an outage of one of the Cabras steam units or more than one unit, GPA will be short approximately 40MW.¹³

⁵ Id at pgs 35-39.

⁶ Presentation of GM Benavente to CCU on October 27, 2015.

⁷ See Guam Power Authority Generation Capacity Alternatives, *Supra*, at p. 40.

⁸ Id.

⁹ Id at p.37.

¹⁰ Id at p.40.

¹¹ Email from GPA Legal Counsel Graham Botha to PUC Counsel Frederick J. Horecky Re: The Temporary Power Proposal, dated October 23, 2015.

¹² Guam Consolidated Commission on Utilities Resolution No. 2015-56, at p.1, adopted October 27, 2015.

¹³ Id.

12. There have been numerous occurrences of load shedding and power outages since the Cabras plant explosion. GPA GM Benavente has estimated that a total of 42 hours of load shedding has occurred since August 31, 2015.¹⁴ More such instances have occurred since October 15, 2015.
13. It is appropriate to allow GPA to utilize the Self-Insurance Fund for the funding of the temporary generation services. The Self-Insurance Program was established for the purpose of providing GPA a mechanism to recover anticipated extraordinary expenses associated with insurable events, including accidents, explosions, and fires.¹⁵
14. However, GPA should be required to reimburse the Self-Insurance Fund when it receives funding for the temporary generation services from its Extra Expense Insurance or other insurance coverage arising from the Cabras explosion.

ORDERING PROVISIONS

After review of the record herein, including GPA's Request to Award Temporary Power Services Contract to Aggreko International Projects Limited, the Guam Power Authority Generation Capacity Alternatives dated October 27, 2015, 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. PUC authorizes GPA to award the Temporary Power Services Contract to Aggreko International Projects Limited in an amount not to exceed \$11,781,392 per year, plus an energy conversion charge of \$4.40/MWh.
2. GPA is authorized to withdraw funds from the Self-Insurance Fund to pay the monthly payments due to Aggreko. However, the Self-Insurance Fund must be reimbursed by GPA when it receives extra expense or other insurance from the coverage related to the Cabras No. 3&4 explosion.
3. GPA has presented a draft of a proposed Contract with Aggreko. When the Contract is finalized, GPA shall file such contract with the PUC.

¹⁴ The interview with John Benavente, Guam Post, October 15, 2015.

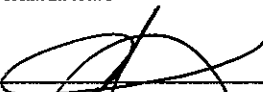
¹⁵ The Self-Insurance Program Protocols, Protocol 1, Scope.

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 29th day of October, 2015.



Jeffrey C. Johnson
Chairman




Rowena E. Perez
Commissioner

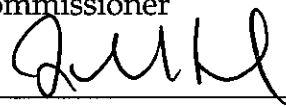


Michael A. Pangelinan
Commissioner

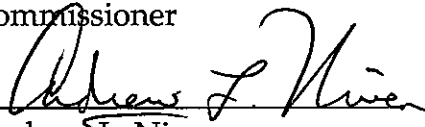
Filomena M. Cantoria
Commissioner



Joseph M. McDonald
Commissioner



Peter Montinola
Commissioner



Andrew L. Niven
Commissioner



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 15-21
)
The Request of the Guam Power)
Authority to Authorize Expenditures for) **ORDER**
the Demolition of the Cabras No. 3&4)
Roof.)
_____)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Request of the Guam Power Authority ["GPA"] to Authorize Expenditures for the Demolition of the Cabras No. 3&4 Roof.¹

BACKGROUND

2. On August 31, 2015, Cabras No. 3&4 Plant suffered an explosion, which caused the collapse of the building's roof and rendered both units inoperable.²
3. GPA indicates that the collapsed roof poses an extreme hazard which is hampering investigation efforts into the root cause of the accident, as well as hindering the full damage assessment efforts. GPA cannot determine whether Cabras No. 3&4 will be available for operation in the future until the assessment is done.³
4. In this matter, procurement for the Roof Demolition was done by Korea East West ["KEWP"], the Performance Management Contractor for the Cabras No. 3&4 units for GPA.⁴
5. KEWP, as the PMC for GPA, is authorized to procure required services for the operations and maintenance of the Cabras No. 3&4 plant.⁵ KEWP received quotes

¹ Guam Consolidated Commission on Utilities Resolution No. 2015-55, Relative to Authorizing Expenditures for the Demolition of the Cabras No. 3&4 Roof, at p.1, dated October 27, 2015. The Resolution serves as GPA's "Request" in this matter, as it asks the Guam Public Utility's Commission to review and approve the expenditures for the Roof Demolition and associated work.

² Id. at p. 1.

³ Id.

⁴ Id.

⁵ Id.

ATTACHMENT E

for required roof demolition and associated demolition work from three contractors, including Pernix Guam LLC.⁶

6. Pernix Guam LLC proposed to undertake the demolition work for a total lump sum bid of \$4,798,888.00. See **BID SUMMARY**, attached hereto as Exhibit "1".
7. GPA, at the request of Insurers in this matter, has also agreed to certain incentive pay for Pernix if it completes the project early. GPA requests an additional amount, not to exceed \$500,000, to expedite project completion time.⁷
8. GPA is also requesting authorization to use the Self-Insurance Fund for the roof demolition of the Cabras No. 3&4 Plant; it agrees to reimburse the Self-Insurance Fund with any insurance proceeds received from its insurer Dongbu Insurance Ltd.⁸

DETERMINATIONS

9. GPA must undertake a root cause analysis of the Cabras No. 3&4 Power Plant explosion and fire. It must also do an assessment as to whether either Cabras 3 and/or 4 can be repaired and returned to service.
10. GPA has been advised by its consultant BWSC and others, that it cannot undertake such analysis unless the Cabras No. 3&4 roof is demolished and other precautions are taken to avoid injury during the assessment process.
11. For the foregoing reasons, GPA has justified the expenditure of sums for the demolition of the building's roof and the associated civil works.
12. Although the cost of the project appears high, KEWP did receive quotes from the three contractors on Guam which have the capacity to do such work. Pernix LLC was the lowest responsible bidder.⁹
13. GPA presently has little choice but to accept the price bid offered by Pernix Guam LLC.

⁶ Id.

⁷ Guam Consolidated Commission on Utilities, Resolution No. 2015-55, at p.1, adopted October 27, 2015.

⁸ Id.

⁹ Id.

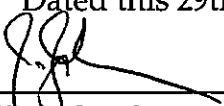
14. GPA has included a provision in its agreement with Pernix for "incentive pay for early project completion" upon the suggestion of its Insurer. Apparently, if Pernix completes the project early, there could be savings on the project in terms of the amount that the Insurers would need to pay.¹⁰

ORDERING PROVISIONS

After review of the record herein, including GPA's Request to Authorize Expenditures for the Demolition of the Cabras 3&4 Roof, the Bid Summary, 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 expend an amount not to exceed \$5,298,888.00 for construction services with Pernix Guam LLC for the Cabras No. 3&4 Plant Roof Demolition and associated building demolition work.
2. 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.

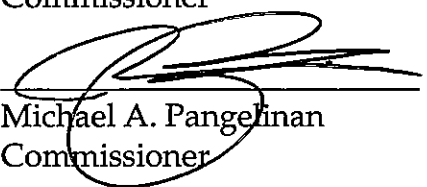
Dated this 29th day of October, 2015.



Jeffrey C. Johnson
Chairman



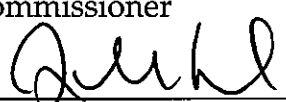
Rowena E. Perez
Commissioner



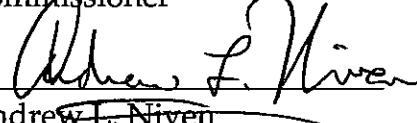
Michael A. Pangelinan
Commissioner



Joseph M. McDonald
Commissioner



Peter Montinola
Commissioner



Andrew L. Niven
Commissioner

¹⁰ Oral Presentation of GPA GM John Benavente to the CCU at its meeting on October 27, 2015, at the GPA Conference Room.

Order
Demolition of Cabras 3&4 Roof
GPA Docket 15-21
October 28, 2015

Filomena M. Cantoria
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 15-05
)
The Petition of the Guam Power Authority))
for Approval of Procurement of New) **ORDER**
Generation Combined Cycle Units and to)
Proceed with Implementation of the)
Integrated Resource Plan (IRP).)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of Guam Power Authority ["GPA"] for Approval of Procurement of New Generation Combined Cycle Units.¹
2. GPA requests approval to procure 120 megawatts of dual fired Combined Cycle generation plant, with an option for an additional 60 megawatts of dual fired Combined Cycle generation plants as needed.²

BACKGROUND

3. This matter was first addressed by the PUC on January 29, 2015.³
4. In the January 29, 2015, Order, the PUC rejected GPA's petition for Approval of Procurement of New Generation Combined Cycle Units "on the grounds that it does not present sufficient evidence that the proposed new generation is justified. Further consideration is deferred pending GPA providing more specific and complete information as requested by the PUC in both the July, 2013 Order related to the IRP and in this Order".⁴
5. GPA was required to submit additional analysis and plans which included an increased emphasis on DSM, renewable energy of both utility and customer scale, financial modeling, and inclusion of potential impact of specific electric grid related measures to address reliability.⁵
6. GPA's primary justification for procuring combined cycle power plants was that there is a need for GPA to come into compliance with certain environmental

¹ GPA Petition for Approval of Procurement of New Generation Combined Cycle Units, GPA Docket 15-05, filed November 10, 2014.

² Id. at p. 2.

³ PUC Order, GPA Docket 15-05, dated January 29, 2015.

⁴ Id at p. 5.

⁵ Id at p. 6.

ATTACHMENT F

regulations issued by the United States Environmental Protection Agency (“USEPA”), which include the RICE-MACT regulations (slow speed generators), EGU-MACT regulations (steam generators), and MATS regulations.⁶

7. Thereafter, between February and August 2015, GPA and the PUC Consultants, Lummus, engaged in an extended discussion concerning GPA’s plans on building new generation units and complying with the USEPA environmental regulations. Lummus submitted numerous Requests for Information to GPA, and GPA presented a number of potential compliance cases “as generation alternatives”. GPA evaluated “case” proposals through use of its “Strategist” program and the development of the Financial Model.
8. On August 21, 2015, the PUC Consultant Lummus issued its Report: Review of GPA Petition to Acquire up to 180MW of New Combined Cycle Capacity in Docket 15-05.⁷
9. In its August 21, 2015 Report, Lummus Consultants recommended that the PUC reject GPA’s requested Petition. Lummus relied upon numerous findings for its recommendation, which have been set forth in detail in the PUC Counsel Report filed herein on October 21, 2015.⁸
10. The major finding of Lummus was that GPA had not justified procurement of new generation capacity. Its principal argument has been that the new generation capacity is justified because of GPA’s need to comply with USEPA environmental regulations. Lummus found that GPA’s analysis and approach required significant modification to produce a low-cost, realistic approach in addressing USEPA requirements in the Base Case (without new generating resources). Based upon the material and evidence presented by GPA, it did not justify a need for additional generation capacity.

DETERMINATIONS

11. On August 31, 2015, GPA experienced a major failure of Cabras Nos. 3&4 Power Plants when an explosion and fire occurred.⁹

⁶ GPA Petition for Approval of Procurement of New Generation Combined Cycle Units, GPA Docket 15-05, filed November 10, 2014, at p. 1-2.

⁷ Lummus Consultants Int’l Report: Review of GPA Petition to Acquire up to 180MW of New Combined Cycle Capacity in Docket 15-05, submitted on August 21, 2015.

⁸ PUC Counsel Report, GPA Docket 15-05, filed October 21, 2015.

⁹ GPA Petition for Approval of Procurement of the Temporary Power Generation Services, GPA Docket 15-18, filed September 17, 2015.

12. There has been no detailed investigation of the root cause of the explosion, nor any data indicating that Cabras Nos. 3 or 4 could potentially return to service and, if so, when. GPA's General Manager John Benavente has stated his opinion that, subject to a full investigation, Cabras No. 4 unit may be irreparable; there is no estimated date for its return to service. He believes that Cabras No. 3 may be able to produce power by March 2016.¹⁰
13. The explosion resulted in the loss of 78MW of base load capacity, which places GPA in a difficult position of meeting system demand if there is an outage in one of the base load or other large units. The outage of one of the Cabras Steam Units could result in insufficient generation reserve.¹¹ GPA would have no reserve capacity and would be short approximately 40 to 60MW.¹²
14. GPA does not presently have a sufficient reserve of generation capacity. There is a 50MW reserve capacity available. However, basing necessary reserve on the loss of its two largest units, GPA believes that it needs a required reserve of 94MW. Thus, there is a present shortage in reserve capacity available of 44MW.¹³
15. GPA is presently seeking to lease generators from off-island as a temporary solution for providing additional reserve generation capacity. However, this is not a long term solution for dealing with the situation of inadequate generation reserve.
16. There have been numerous occurrences of load shedding and power outages since the Cabras plant explosion.¹⁴ GPA GM Benavente has estimated that a total of 42 hours of load shedding has occurred since August 31, 2015.¹⁵
17. It is a general principle that a utility does not need additional generation capacity unless the load requires additional resources.
18. Prior to the Cabras 3 and 4 explosion, the monthly and peak load demand figures did not indicate that there was insufficient generation capacity on Guam, or that the

¹⁰ Id at p. 1.

¹¹ Id at p. 1.

¹² Guam Consolidated Commission on Utilities Resolution No.2015-45, Authorizing Management of the Guam Power Authority to Lease Generation Capacity Services to Meet System Demand, adopted September 16, 2015, at p. 1.

¹³ Guam Power Authority Generation Capacity Alternatives, September 16, 2015, Reserve Restoration Plan.

¹⁴ Interview with John Benavente, Guam Post, October 15, 2015,

¹⁵ Id.

existing generation capacity could not handle the load. The monthly and peak load demand figures from 2013 to the present did not demonstrate an overall trend toward increased peak load. The highest peak load this year has been 255MW. The highest peak load in 2013 was 257MW.¹⁶ Overall it cannot be said that increasing load would demand more generation capacity. Prior to the explosion, GPA was unable to make the case that there was a need for new generation to meet the existing load.

19. As indicated, GPA's load justification for new generation was the necessity of meeting USEPA environmental regulations. However, Lummus concluded that GPA had failed to adequately explore low cost compliance plans that did not necessitate the addition of new generation.
20. However, as a result of the Cabras 3 & 4 explosion on August 31, 2015, circumstances have been considerably altered. At present, existing reserve generation capacity is not sufficient to meet the required load. Over the past two months, there have been a number of instances of outages and load shedding where generation capacity was insufficient to serve the needs of ratepayers.
21. The Reserve Restoration Plan submitted by GPA on October 14, 2015, shows that GPA may have insufficient generation capacity from September 2015, through February 2016 to meet customer demand. The insufficiency ranges from 44MW to 15MW.¹⁷
22. The Reserve Restoration Plan does show that by March 2017, the reserve generation capacity will be 94MW. However, a number of factors suggest that the PUC cannot be sanguine concerning the availability of future reserve load capacity. Cabras 3 & 4 are both included in the Restoration Plan as being "restored." However, there is no assurance at this point that either plant will be available. Furthermore, the PUC is aware that Cabras Nos. 1 & 2 are both over 40 years old, and their future availability is also not certain. There is, at present, uncertainty as to whether GPA possesses sufficient generation capacity to meet the required load.
23. It is the responsibility of the PUC to ensure that GPA provides safe and reliable power at the lowest reasonable cost. Since the explosion on August 31, 2015, the power provided by GPA has not been reliable.

¹⁶ Guam Power Authority Generation Capacity Alternatives, Guam Consolidated Commission on Utilities Work Session, October 14, 2015 (Monthly Peak Demand, Jan. 2013 through September 2015 and Historical Peaks).

¹⁷ Id.

24. In light of this new situation, it is prudent for the PUC to authorize GPA to procure additional generation capacity, rather than run the risk that ratepayers will be exposed to continuing episodes of load shedding and outages.
25. GPA's emergency solution of procuring leased off island generators of 40-60MW is only, at best, a temporary solution. With leasing, GPA does not obtain any permanent generation that will contribute long term to the power system. It would be more advantageous to have GPA put resources into new generation, as opposed to leasing generators for an extended period of time.
26. To date GPA has not submitted anything in this docket to respond to the August 21, 2015 Lummus Report or to update or revise its original Petition in the wake of the August 31, 2015 explosion.
27. The ratepayers of Guam should not be placed in the uncertain and fragile position of exposure to load shedding and insufficient load capacity. The PUC must take proactive action to remedy the current generation situation.

ORDERING PROVISIONS

After review of the record herein, GPA's Petition for Approval to Procure New Generation, the Lummus Consultants Report dated August 21, 2015, 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 shall submit a plan to the PUC, and a proposed request for procurement, for new generation capacity. GPA's Plan must address the following issues: (1) How much new generation should be procured, in megawatts? (The amount may be different than the original request for 120 MW plus an option for an additional 60 MW.) (2) What size units (for example, 30 MW or 60 MW) should be procured? (3) Should the procurement only be for combined cycle units (i.e., should GPA's procurement be broader, and leave to the proponent the specific type of technology to be utilized)? (4) What should be the fuel source for the new units? (It is anticipated by GPA that the new units will burn ULSD).
2. As a part of its Plan, GPA must include an evaluation of whether Cabras 3 and/or 4 can be returned to service, and if so, when. It is difficult for the PUC to make a rational determination as to how many megawatts GPA should be authorized to

procure until it is known as to whether those plants will be available for future generation.

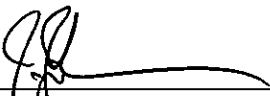
3. As a prerequisite to approval of a procurement by PUC, GPA must implement the four initial Demand Side Management programs and submit its Report to PUC on long term funding sources for DSM. These have already been significantly delayed by GPA. Lummus has pointed out that GPA has not fully considered the potential for expansion of DSM and its utility in minimizing future load requirements. DSM must be a part of GPA's long term plan on the need for additional generation capacity. Implementation of a more extensive DSM program by GPA could well reduce the necessity for additional load or new generation in the future.
4. GPA's Plan must also include Time of Use Rates to reduce load. TOU should be implemented prior to approval of the procurement.
5. GPA's Plan must include a Third Party Condition Assessment of the Cabras 1 & 2 plants and Life Extension Study, or at least a proposal for obtaining such assessment and study. To date, GPA has not provided any information to establishing that either one or both of these plants cannot continue to be operated and to remain a part of the island wide power system.
6. GPA's Plan for new generation capacity should be based upon the Independent Power Producer Model rather than upon issuance of revenue bonds and ownership by GPA. GPA appears to have concluded, as evidenced by the new solar plant, that it is preferable for future generation to be operated by third party plant managers/operators. It should place responsibility for new plant generation operation with Independent Power Producers.
7. As a part of its Plan, GPA must provide an analysis of the customer rate impacts over the long term from a decision to procure the proposed new generation capacity. There should be as accurate an estimate as possible concerning the total cost for the procurement of additional generation, including capital investment requirements and funding costs. GPA's Plan must include a present value analysis from the ratepayer perspective based on revenue requirements for the new generation rather than on the costs incurred by the utility.
8. GPA's Plan must also provide time lines for necessary environmental permitting, procurement, construction and operation of the new generation facilities.

9. Another element which must be included in GPA's Plan is the further development of renewable energy resources. Lummus determined that GPA's resource/compliance planning does not adequately incorporate the potential impact of renewable energy. GPA's current projections call for a maximum of 120MW of renewable energy; after that limit is reached, there is no further provision for additional renewable energy resources.
10. Although GPA has received bids on Phase 2 of its Renewable Procurement, for up to 40MW of renewables, no selection has yet been made on the Phase 2 Procurement. As an element of its Plan, GPA should update the PUC as to when the award(s) for the Phase 2 Procurement will be issued.
11. GPA is also initiating a solar program with the US Military for development of solar facilities on military land. Further updates must be provided to PUC on this program in the GPA Plan.
12. GPA's Plan must include projected action on its proposed Phase 2 of Energy Storage Systems, which proposed to procure battery storage for solar power. GPA's future proposals and intended actions for implementation of renewables and battery storage for renewables should be included in its Plan. GPA should further explore the introduction of storage facilities to support the intermittency of solar.
13. GPA's Plan must consider a more gradual replacement of its base load generating assets. GPA may be able to continue to operate at least one steam unit at Cabras on LSRO: such a decision would provide the opportunity for additional fuel diversity for the Island.
14. In general, GPA must address the recommendations of Lummus Consultants in their August 21, 2015, Report, and address those concerns in their Plan. Although PUC has not adopted the Lummus recommendation to reject a proposal to procure new generation, it believes that Lummus' conclusions merit a serious response by GPA.
15. GPA is required to submit its Plan to the PUC within (120) days from the date of the PUC Order herein. At the time GPA submits its Plan to the PUC, it should also submit its Request for Proposals for the new generation capacity.
16. At present, the Liquefied Natural Gas (LNG) option is disapproved. Lummus has found that GPA did not provide sufficient planning for and evaluation of the

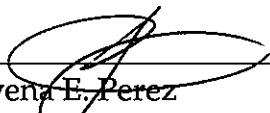
potential impacts of LNG infrastructure costs within its Financial Model. Because of the substantial cost of LNG infrastructure, the LNG option is not approved at the present time.

17. 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.

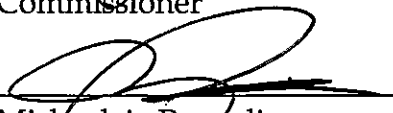
Dated this 29th day of October, 2015.



Jeffrey C. Johnson
Chairman

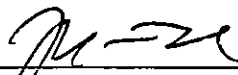


Rowena E. Perez
Commissioner

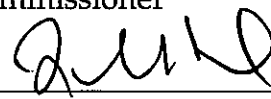


Michael A. Pangelinan
Commissioner

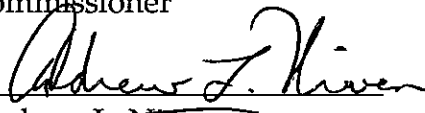
Filomena M. Cantoria
Commissioner



Joseph M. McDonald
Commissioner



Peter Montinola
Commissioner



Andrew L. Niven
Commissioner