

**GUAM PUBLIC UTILITIES COMMISSION  
REGULAR MEETING  
October 27, 2016  
SUITE 202, GCIC BUILDING, HAGATNA**



**MINUTES**

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:45 p.m. on October 27, 2016, 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 29, 2016. 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 on the agenda was GTA Docket 16-03, Tariff Transmittal No. 26, ALJ Report, and Proposed Order. Counsel [the ALJ in this matter] indicated there were three aspects of this Transmittal: First, it establishes a new rate element called the Local Network Interface Charge [LNIC]. Second, it removes the applicability of National Exchange Carrier [NECA] Tariff No. 5 to GTA Ethernet Transport Service rates. GTA wishes to substitute its own rates for those of NECA. Third, GTA seeks to delete telegraph grade service, for which there are currently no users.

The Tariff stems from GTA's network infrastructure changes made in January of 2015. GTA consolidated three wire centers into one. Previously, special access services and Metro Ethernet services had been based on mileage charges, i.e. the distance between the central office and the consumer premises. Since now there is only one only wire center, the mileage base charges were eliminated. The Local Network Interface Charge [LNIC] is designed to recover the cost of local private line transport previously recovered through channel mileage charges. LNIC recovers the cost associated with the communications path between a customer's designated premises and the GTA serving wire center. The LNIC charge is in addition to a channel termination charge which GTA assesses for every special access channel termination.

GTA's Consultant JSI, prepared the LNIC charge tariff. It looked at the demand involved in the cost and determined the charge based upon the cost to GTA of these changes. Overall, the LNIC tariff results in a 2.20% decrease in company revenues.



Overall GTA loses some money based upon the changes, but some services increase in cost while others decrease.

Previously the PUC, in 2012, approved the tariff for the Metro Ethernet charges based upon the FCC NECA tariff. For years GTA has been following the NECA tariff with Metro Ethernet charges. However, now GTA wishes to substitute its own local tariff. GTA now has experience with Metro Ethernet charges. If GTA adopts its own tariff, it will not need to change the charge for Metro Ethernet services in accordance with NECA, which occurs twice a year.

The ALJ conducted a Public Hearing on September 22, 2016. All telecom companies were noticed. Only Pacific Data Systems, in addition to GTA, participated. Only PDS commented. PDS said that it could not determine what services would be affected. It proposed a 2% cap on any increases. It so requested an explanation of how the "individual case basis" charges would apply to special access services. PDS questioned what the ICB would be for the Metro Ethernet and Special Access services. It proposed a "discount" charge, as under NECA, for the Metro Ethernet services.

After the Public Hearing, GTA amended its Tariff Transmittal. The ALJ then held another conference between the parties to discuss the impact. Mr. Day, President of PDS, presented GTA with a list of possible services which PDS could order both before and after the new tariff was implemented. PDS wanted to know what the charges would be for the specific services after the tariff was implemented. The PDS' format, Exhibit "A" is attached to the ALJ Report.

Counsel indicates that GTA did justify a change to the current tariff. JSI engaged in the substantial process to update special access charges and rates. Nothing in the record indicates that those rates for the charges proposed are unnecessary or unreasonable. The ALJ did not feel that there was a need for a 2% price cap. Most of the charges on PDS' chart format will actually be unaffected or will go down under the new tariff. The Metro Ethernet charges were more under the NECA tariff than they will be under the Tariff No. 26. The larger pipes for special access service, OC3 and OC12, are the same under the new tariff. DS3 goes up slightly, but it is only a minor increase. DS1 does go up, although the charges previously included may not be included here. GTA can explain this aspect. There was not much of a rate impact under the new Tariff.

PDS does not presently obtain any of the services listed under its format Chart. They are only services that it may wish to obtain in the future. So, the new Tariff will not actually affect PDS at present. The proposed LNIC will not increase the rates of existing customers for circuits that they have. PDS also indicated that it would not be likely that it would order any of the services in the near future. If PDS did order such services, it indicated that it would more likely be the larger pipes such as OC3 and OC12. No harm has been shown that these rates work to the disadvantage of any telecom carrier.



GTA's Consultant Mr. Elmer of JSI indicated that the LNIC was developed so that GTA would not lose revenue from the implementation of the new tariff. PDS did raise a legitimate issue concerning the individual case basis. The ALJ recommended that GTA provide further provisions to the tariff within 60 days indicating what the ICB basis would be for Special Access and Metro Ethernet services. GTA also agreed to look at the special access services provided under NECA No. 5, which provides a discounted services tariff, within 60 days. The ALJ recommends that the PUC approve the Tariff Transmittal No. 26. The overall plan of GTA is reasonable. As to telegraph services, the ALJ recommends that PUC authorize the deletion of that service, as it is not used by anyone. The proposed Order implements the recommendations of the ALJ Report.

The Chairman provided GTA with an opportunity to comment. Its Executive Vice President Dan Tydingco appreciated the ALJ's report and proposed recommendations. GTA wished to clarify the impact of the new rates through the submission of a chart that should have been included when the tariff was filed. Mr. Tydingco indicated that there were actually no increases in the rates for services under the new tariff. There are actual overall decreases across the board for rates for all services from DS1, DS3, OC3 and OC12. All ETS services also decrease. Previously the rate for DS1 was \$866.64; it is now \$507.94. For the Inarajan to Agana route, DS1 goes down from \$904.92 to \$507.94. Mr. Tydingco asked the Commission to consider the submission of this new chart, as it clearly reflects that services under the old elements were substantially higher. With the proposed tariff, there are significant decreases in rates across the board.

Commissioner Pangelinan asked whether there would be a reduction in DS3. Mr. Tydingco indicated that there would be a reduction. Previously DS3 was \$7,393.75 from Malesso to Agana; it would be down to \$4,257.82. The new tariff, Yigo to Dededo would be \$4,413.26, down from \$5,944. Overall, there would be a revenue decrease to GTA from this new Tariff.

In response to Commission Niven's question, Counsel indicated that he would revise par. 38 of the Order. Commissioner Perez asked a question concerning GTA's assertion that it would freeze prices of DS1 for current customers. Mr. Tydingco indicated that current customers would be frozen at the current tariff rates without the LNIC being applicable to them. There is no impact on them, but there would be for future services that they order. Commissioner Montinola clarified that there had been confusion since the new chart of GTA had just been presented at this hearing. Counsel Horecky indicated that par. 28 of the Order would be revised. Mr. Tydingco indicated that GTA was not adverse to the ICB language that the ALJ recommended. Upon motion duly made, seconded and unanimously carried, the Commissioners approved Tariff Transmittal No. 26 and adopted the Order made *Attachment "B"* hereto.

### **3. Guam Power Authority**

The Chairman announced that the next item for consideration was GPA Docket 16-01, Streetlight Rate Schedule F and H filing, ALJ Report, and Proposed Order. ALJ



Alcantara indicated that the PUC FY 2013 Rate Decision had ordered GPA to submit a filing regarding establishing tariff rates for LED streetlights. On February 3, 2016, GPA submitted its proposed tariff for LEDs for private outdoor lighting as well as street lighting in the form of amendments to Rate Schedules F and H in accordance with the statutory provisions of the Ratepayer Bill of Rights. Public hearings were held in Agana, Asan, and Dededo on October 18, 19<sup>th</sup> and 20<sup>th</sup> to receive testimony related to LED streetlights. According to the ALJ, GPA was now requesting that LED items be added to Schedule F and Schedule H including lamps for light emitting diode 250 with a kilowatt-hour per month at 43.2 with a set fixture rate of \$26.15 per lamp per month, and for LED 150, a kilowatt-hour per month of 24.1 with \$19.10 fixture rate per lamp per month.

Since energy consumption for the LED light is significantly lower than that for the high pressure sodium lights, the rates for the LED lamps reflect this reduction in energy consumption. The fixed fixture charge of the LED lights is the same as for the high pressure sodium light fixture charges. GPA submits that the LED streetlights require an annual revenue requirement of about \$225.00 for an LED 250 lamp and about \$195.00 for an LED 150 lamp. GPA hopes that revenues of \$35.00 for an LED 250 lamp and \$24.00 for an LED 150 lamp are enough to cover the revenue requirements. The proposed rates will result in savings for customers who currently pay the rates for the high pressure sodium street lamps.

At the Agana Public Hearing, GM Benavente explained how the new LED streetlight rates would operate. He said LED lamps are now more affordable than two years ago, which allows GPA to internally fund the LED replacement program. The maintenance for the LED streetlights should drop by 80%, which will result in a savings of about \$400,000.00 per year. Around 5,675 streetlights have already been replaced with LED lamps. It will cost about \$5M more to replace the remaining lamps; such replacements should be finished within the next two years.

Based on the cost calculated by GPA, the proposed LED tariff will allow GPA to meet its operating expenses with regard to the LED street lamps. Things will result to customers who currently pay for the HSP streetlights. The proposed new tariff rates are just and reasonable; upgrading to LED lamps can reduce energy usage by up to 80%. LEDs also provide superior lighting; they produce more light than other forms of lighting and longer lives, lasting between 12 to 23 years. The ALJ recommends that the PUC approve the tariff rates as proposed by GPA.

Commissioner Perez asked what happened to the streetlights going from Tumon up to K-Mart. It is very dark in that area coming along side JFK. GM Benavente indicated that these were actually metered streetlights by DPW with the Guam Visitors Bureau. The whole of Tumon, these are not GPA streetlights. DPW and GVB are responsible for their operation and maintenance. A couple of lights from Westin up towards that area are also metered streetlights. DPW is responsible. Commissioner Montinola asked



about the additional \$5 million that would be spent for the replacement of 5,000 streetlights. Are more streetlights being added because of the savings? GM Benavente indicated that the cost of 5,000 streetlights that have been completed is less.

DPW will have the opportunity to take advantage of these savings if the village mayors request these lights. Commissioner McDonald asked whether, with the current 5,000 lights that have been installed, any of them had to be changed out. GM Benavente said that while there were a few here or there, some of these lights have been operating for several years already such as on Marine Drive. Commissioner McDonald asked what the warranty was for those streetlights. GM Benavente indicated that the warranty was five years. Commissioner Montinola asked what the rate would be for customers who want to add lights outside of their homes. GM Benavente indicated that GPA was only adding LED lights now; GPA has discontinued the buying of high pressure sodium. Upon motion duly made, seconded and unanimously carried, the Commissioners approved GPA's Streetlight Rate Schedule F and H, and adopted the Order made *Attachment "C"* hereto.

The Chairman indicated that the next item on the agenda was GPA Docket 15-05, Petition for Approval of Procurement of New Generation of Combined Cycle Units, ALJ Report, and Proposed Order. Counsel [the ALJ in this matter] indicated that GPA is requesting approval of its integrated resource plan and procurement of new generation, specifically 180 megawatts of dual fired combined cycle generation. On January 2015, the PUC denied approval for this procurement. Circumstances have changed since then, primarily the explosion of the Cabras 3 & 4 plants in August of 2015. The cause for that explosion is still unknown. The explosion is troublesome from the point of view of plant management and who should be managing the plants. However, the explosion is probably the single most important fact changing the analysis that Counsel (ALJ) has made.

The second factor is GPA's argument concerning the retirement of the Cabras 1 & 2 plant. The PUC has previously asked GPA for evidence on why we need to retire those plants. In July of 2016, GPA presented a Life Extension Report indicating the condition of the Cabras plants. The PUC has acted reasonably in waiting for this information before making a decision. GPA's July 2016 submission was compliant with what was previously required, it was detailed. GPA provided information on different aspects, such as Demand Side Management, Solar resources, and the need for new generation. It is provided information that the Commission needs to address the present issue.

The PUC conducted Public Hearings on October 4, 5, and 6 of 2016. Although public hearings were not required by statute, the Commission felt that the public should have an opportunity to comment on this substantial procurement of 180MW, as it had been a number of years since GPA conducted stakeholder meetings. There was not an out-pouring of public comment at the hearing, although there was some written testimony and oral testimony by three or four individuals. No testimony opposed the new



generation. A solar industry proponent felt that it would be for less than 180MW because of the potential for solar generation. However, such representative agreed that there was a need for at least some new generation. There was no opposition to the procurement by GPA and at least some new generation.

The first question addressed by the ALJ was whether GPA had a reason or basis as to why there should be new generation at all. What changes the analysis between January 2015 and present is the loss of the Cabras 3 & 4 plants. The fact is that GPA lost 78 megawatts. An additional factor is the Leidos [PUC Consultant] study concerning the feasibility of Life Extension of the Cabras 1 & 2 plants, as well as Cabras 3 & 4, and the combustion turbines. Lidos determined that, even before the explosion, the condition of the Cabras 3 & 4 plants was "poor." However, Lidos found that the privately operated plants, MEC 8 & 9, were in "good" condition, even though they were built only two years after the Cabras 3 & 4 plants.

As to Cabras 1 & 2, like Leidos stated: "based on our review, the current condition of the Cabras plant [i.e. 1 & 2] is that it **"is at the end of its useful life."** The Cabras plants produce an additional 122MW. According to the Leidos cost data, it will cost over \$10M a year to maintain those plants. There is a lot of required maintenance cost, overhauls, and upkeep. There is also the cost of the PMC running those plants. Having received the Leidos Report, the ALJ is on board with GPA's conclusion that it does not make sense to utilize those plants beyond the five years. Had the Cabras 1 & 2 plants been properly maintained, they could be used for another 20 years. From a rationale point of view, it does not make sense to keep pumping that kind of money into the Cabras 1 & 2 plants indefinitely. Another factor is the technology -- GPA has argued that those plants, 1970's technology, do not have the startup capability and other aspects to integrate well with renewables.

GPA is asking for a determination now as to whether it can retire the Cabras 1 & 2 plants in 2021. The ALJ does not have enough information and is not prepared to make a recommendation right now. It would be unusual for the PUC to make that kind of determination five years in advance. This issue can certainly be reviewed at a later time, such as when GPA presents the proposed consent decree to the Commission. There wouldn't appear to be much opposition as Commissioners would be finding that the plants have exceeded their useful life, and that five more years is probably the limit.

As another factor, GM Benavente has brought up that the load of GPA is increasing. This factor wasn't present a year ago. The peak load of 258MW now could increase up to 291 by 2035. That is another factor in favor of new generation, as peak load is going up.

There is also the issue of the new environmental requirements by EPA. GPA mentions those as a reason for the new generation they are consideration. However, the impact of those requirements can be discussed when a proposed consent decree is reviewed. The ALJ's first conclusion is that GPA has definitely presented a justification for



replacing base-load generation. However, the question then becomes, how much should be replaced? Is it 180MW or is it something less? The ALJ has struggled with this issue. It is possible that GPA could possibly have sufficient generation with 140MW or 160MW, for example. However, based upon the number of power issues and shortages over the last few years, over 158 hours, the outage rate has been very high. The island needs reliability. The ALJ does not believe that the PUC should quibble about 160 versus 180MW. The GM of GPA does have the obligation to keep the lights on. The people of Guam want reliable, stable power.

The ALJ does wish to address the concern of the Solar Industry Representative, that solar energy is progressing with battery storage and there is not as great a need for these diesel generators. Such generators could become “stranded assets.” The ALJ is favorable towards solar and believes that it is very promising. However, he tends to lean towards GPA’s view that, at present, the reliability of solar for base-load generation it is not there yet. It is not clear when it will be viable for base-load generation, whether 3, 5, or more years. The ALJ is not prepared to make a recommendation to reduce the megawatts of the new generation based on the possibility that battery storage may be adequate. It is too speculative.

The ALJ accepts the view that, for now, GPA needs more reliable generation. The solar power at the Dandan plant is not that reliable and is affected by cloud cover. It does not produce power at the peak load at night. GPA is correct that, for now, it needs solid reliable efficient base-load generation to deal with the peak period. In fact GPA is integrating a considerable amount of solar power into its system including the 25MW Dandan plant. There is a 60MW renewables bid that GPA has put out. Also there is the 45MW Navy Renewable project. GPA is attempting to integrate solar into the system, but it must be cautious. There is also the net metering from the roof tops, which provides up to 13MW into the IWPS.

Once concern that the ALJ has, is that GPA have been spending a considerable amount of money on the combustion turbine generators and the Fast Tracks to bring them up to speed. For example, the Dededo CT 1 & 2 could cost \$12M to bring online. Since GPA is spending this amount of money on those generators, perhaps they could at least be used to reduce the amount of 180 megawatts. GPA does however raise the point that these are not base-load units and are not intended to run all of the time. How much reserve is needed and does GPA have too much reserve? At the last CCU meeting, GPA indicated that it is intending to purchase the Aggreko plant.

That is 40 more megawatts for reserve which were not included in GPA’s original calculation as to the needed mega wattage. GPA may have too much generation capacity. The solar capacity for now does not count as anything or any megawatt production in GPA’s count. Will solar be counted in the next 30 years? At some point battery storage may allow some of the megawatts from solar to be counted in GPA production capacity. There arguments can all be made, but GPA’s contention that



180MW is reasonable is not outside the realm of logic. One can argue for 20 or 40MW less, but certainly GPA should not be placed in a situation where more load shedding and outages could occur. The primary concern is reliability of the system; an increased amount of reserve capacity is not a reason to reduce base-load generation.

GPA had an estimate that it would cost \$320M to provide full time effective and reliable solar power from the Dandan plant with battery storage. The ALJ recommends that GPA be authorized to procure up to 180MW of Combined Cycle Units. However this is only a procurement. The PUC will have other opportunities to review what the amount of megawatts should be. The factors could affect that, such as cost. There are not good cost estimates at present in terms of ratepayer impact. There would be better estimates after the bid. If GPA procures smaller units, there may be a need for lesser reserve. The PUC can review these factors at a later time. The PUC should reserve its right to assess the proposed maximum mega wattage of the plants. For now, the ALJ is convinced that GPA should be allowed to go out to bid for up to 180MW of combined cycle units.

GPA also seeks to procure engineering, procurement, and construction support for the new combined cycle plant. It is obvious that, if the PUC approves the new generation, it should also approve procurement of the EPCM. The contractor would assist GPA in the development of the procurement for new generation and the construction of a plant with characteristics best suited to GPA's needs. There is already money available for the EPCM. In a 2014 bond docket, the PUC had already approved \$750,000 for the procurement of engineering and technical consulting services. The money is still available, as confirmed by GM Benavente at the October 4 Public Hearing. The ALJ recommends that the PUC approve GPA's request for the expenditure of \$750,000 for engineering and consulting services relative to the new combined cycle units.

The next issue is the most important one: whether the procurement cost will impose a rate impact upon the ratepayers. The Leidos Report indicates the problems which GPA has had in maintaining its plants. The lack of maintenance is certainly one of the reasons that GPA needs this new generation at the present time. There may be other reasons too, such as the technology issues. However a lack of maintenance is disturbing because it does result in ratepayer impact. The ALJ has a better concept of such impact after the public hearings and review of the material that GPA has submitted, but there is still no clear indication of the rate impact. After the proposals are received for the generation from proponents, GPA should be able to provide a better understanding of the rate impact. GPA has to estimate the impact.

GPA provided high and low capital cost estimates based in part upon the prospective insurance settlement for the Cabras 3 & 4 plants. It is speculative. GPA has used two scenarios, for recovery of \$100M and for \$150M. However, the cost estimates based upon the insurance settlement cannot be determined in fact until there is an actual settlement. The state of Cabras 3 is also not clear because there has been no determination at present to abandon that plant. It may not be practical to restore



Cabras 3. The question is whether the insurance settlement would require the restoration of Cabras 3.

GPA has also referenced the possibility of issuing a new 30-year bond or restructuring prior bond issuances. There are possible plans to finance the IPP in the construction new generation. The ALJ does not believe that enough information has been presented on any of these ideas at present for the PUC to rule on such proposals. For the present time, the ALJ recommends that such financing proposals not be approved. The ALJ does believe, that based upon GPA's presentation, that it's a possibility that the 180MW plants could be developed without a large ratepayer impact. This is demonstrated by looking at the cost components for the new generation. The first is "new resource cost." That is the amount it will cost to build the new power plants. The estimate for such construction is \$424M. GPA and the ratepayers do not pay such "new resource cost" up front. The ratepayers will be paying that cost back to the developer over the 30-year period of the IPP. The cost payment will be in terms of the generation capacity that GPA purchases from the IPP. That seems more affordable.

Other costs are "additional costs for the new resource land, interconnection, and fuel piping costs." GPA desires to construct the new generation in Harmon. Having the plants at Harmon is costly: \$93,562,000. These are hard costs. The money must come up from somewhere if the plant is located in Harmon. This involves a transmission line at \$60M, fuel piping in the amount \$21M, a land purchase price at the amount of \$12M. GPA has suggested that this could be paid from the insurance settlement. Another cost is maintaining the Cabras plants 1 & 2 for the next five years at \$83M. GPA is hopeful that it can pay those costs through revenue funds. However those are annual amounts that GPA would pay out from its rate revenues. However there could be a plan which would not have a tremendous impact on the ratepayers. GPA has given some estimates of rate impact with a high capital cost and \$100M insurance settlement. GPA estimated that there would be an impact on the total ratepayer bill between 2024 and 2026 of the 6.8%. Its impact on base rates for that 3-year period would be 19.7%.

There have been promises made on the record. CCU Chairman Duenas stated at the public hearing represented that GPA would do everything in its power not to have any rate increase, or minimize any rate increase from efficiencies gained from the new generation [i.e. reduced fuel costs and employee costs]. The PUC should hold GPA to its promises. Even though the ALJ recommends that PUC authorize the procurement, there should be conditions placed upon such procurement at the present time. GPA has not demonstrated that LNG is a cost effective fuel source. GPA should proceed on the basis of an IPP model, that the independent power producer is responsible for constructing the new plant. The IPP should pay for the plant. GPA should not be involved in the cost of plant with a strict IPP model. The ALJ recommends that the GPA financing, issuance of new bonds, finance and lease of equipment to the IPP, or restructuring and refund of GPA bonds should not be approved at the present time. If



there is additional information, PUC can reconsider those matters. Nothing in the record at present justifies those financing options.

The Proposed Order would authorize GPA to procure a combined cycle plant of up to 180MW. GPA should have specific approval of the procurement from the PUC before it is issued. The procurement should be based upon the independent power producer model, rather than ownership by GPA. Authorization for the procurement should be conditioned upon the restrictions previously recommended; the PUC should reserve the right to further consider the issue of whether 180MW should be the proposed capacity. At the time the procurement is submitted to the PUC there should be an updated rate impact study with more numbers from the proponents as to what the generation will cost. The bids should provide a firmer estimate of rate impact.

Chairman Joseph Duenas of the CCU spoke on behalf of GPA. He wished to make sure everyone understood that this IPP project was a “build, operate, and transfer” project. He wished that such fact be included in the Ordering Provisions. ALJ Horecky indicated that he did not have a problem with clarifying that matter in the Ordering Provisions. Chairman Duenas also requested that there be an ordering provision stating that GPA was authorized to expend \$750,000 on the EPCM. ALJ Horecky concurred with Mr. Duenas’ point.

Chairman Duenas also request an ordering provision indicating that Cabras 1 & 2 would be retired upon the commissioning of the new generation combined cycle unit. A clarification is necessary to USEPA that GPA intends to retire Cabras 1 & 2 upon completion of the new plant. ALJ Horecky indicated that he was not yet prepared to justify a retirement date for the Commission. The Chairman indicated to Mr. Duenas that he was really not requesting a specific timeline, but just a process. GPA wished to clarify to USEPA that it would not shut down Cabras 1 & 2 until GPA goes through the process.

Mr. Duenas indicated that GPA needs the “buy in” of PUC that once GPA builds the 180MW, it is not immediately shutting down Cabras 1 & 2. MEC 8 & 9 will have to be made compliant after 1 & 2 are retired. Only after MEC 8 & 9 are converted to ULSD would the Cabras plants be retired. Mr. Duenas also clarified that the transmission line GPA was speaking of is from the plant at Harmon to the Harmon substation. Also, there would be savings from eliminating the 150 line over Nimitz Hill. Chairman Johnson indicated that it could cost \$20 to \$25M to replace the large transmission line that goes across Nimitz Hill. Chairman Duenas concurred. The Harmon site also presents a good opportunity to anticipate the USEPA request that GPA stop the seawater cooling that it presently uses for Cabras 1, 2, 3, & 4.

Commissioner Perez asked about the emissions and the proposed area, which is central Guam. The emissions become an issue. Chairman Duenas indicated that the combined cycle units would meet EPA requirements in terms of the emissions. The plants would be placed next to the sewage treatment plants. The ALJ indicated that GPA is perhaps



looking at smaller plants. There will not be tall smoke stacks. The area will be planted so that the plant or emissions will not be seen. Commissioner Perez asked Mr. Duenas when the report would come out for Cabras 3 & 4. Chairman Duenas indicated that the report was being done. The insurance companies are working on the cause. GPA is staying out of it. Chairman Duenas hoped that the report would be done within 6 months to a year. Aspects of the process are still being examined by forensic experts. The insurers will attempt to reach agreement on the cause.

Commissioner Perez further asked whether Cabras 1 & 2 would be mothballed or just retired. What would be done with the shell? Chairman Duenas indicated that to start with, Cabras 1 & 2 would be decommissioned. GM Benavente added that the decommissioning process would also include taking out all hazardous materials first. Mothballing typically means that you may have the opportunity to bring the plant back. But once you mothball the plant, there is a lot of investment to get it to the point where you can return it to service. The Cabras plants are 70's technology, there will have to be a lot of investment into the plant to operate and maintain it. Retirement of the Cabras plants will save \$10M a year. Chairman Duenas indicated that annual savings from decommissioning of Tanguisson are around \$7 to \$8M per year. With these savings, GPA believes that it can add the new plant with no base rate increases.

Commissioner Perez asked about the projected peak load of 298MW. GM Benavente indicated that GPA was projecting 270-275. Chairman Duenas indicated GPA was replacing 210MW with 180MW. This is a reduction of 30MW in base-load capacity. GPA plans to use the Aggreko plant for reserve. Commissioner Perez asked Mr. Duenas whether as technology improves, a time would come when GPA would have the opportunity to use renewable power systems. Commissioner Perez indicated that GPA would be authorized to procure up to 180MW, but renewables might have the opportunity to reduce that amount by 20MW.

Chairman Duenas indicated that renewable is not yet a viable option. MEC 8 & 9 are approaching the end of their useful lives in 20 years, that may work well with renewables coming along. Battery storage may mature. There will have to be three things, reliable, robust, and economical power with lowest affordable cost, that's the goal. If the renewables can provide reliable power, GPA can retire the older base-load units. GPA is already reducing generation, having eliminated 50MW at Tanguisson. It also eliminated 16MW of the combustion turbine in Marbo. 165MW is a good match for reserve capacity for the next few years. GPA has to deal with certainty. It has to keep the lights on.

The Chairman asked Mr. Duenas whether there is a specific price on the land purchase. Chairman Duenas indicated that a lot had been identified, but appraisals had not been done. The CCU will attempt to negotiate with the property owner. The CCU is working with the Ancestral Lands Commission and the Legislature to acquire the property for GWA. Next to that property is privately own property. The Ancestral



Lands property is 172 to 188 acres, which will fit GWA's needs. That will come from the federal government to take the northern wastewater treatment plant to secondary treatment. GPA will approach the private property owner to purchase the land.

Commissioner Montinola asked GPA about the portion of the ALJ Report which speaks of the "disturbing factor and the reason why GPA now finds itself in this position, is that GPA failed to properly maintain the Cabras plants." Commissioner Montinola wondered whether, if all this money is spent for the new plants, has there been any change in the protocols on the maintenance of the plants? GM Benavente indicated that restoration work was being done in terms of Cabras 1 & 2, and that they're still in good shape. Major overhauls were done. Every five years a major turbine overhaul is done and every 18 months GPA does overall maintenance.

Commissioner Pangelinan indicated GPA's position that once 180MW is established, GPA still wants to keep Cabras 1 & 2 in place so that the 8 & 9 can be worked on. He wondered whether that was consistent with the 5-year lifespan of Cabras 1 & 2. Chairman Duenas indicated that GPA believes that it does fall within the 5 years. GPA is thinking about small modular pieces for the combined cycle units. Combined cycle technology is not like the old plants where everything was built from the ground up with specific cranes and all the equipment. The combined cycle plants are two technologies, combustion turbines and then the heat from the combustion turbines that power up the steam plant. GPA is looking at 40 or 45MW plants so that they are small pieces. It may be able to be shipped in. It will not be similar to what occurred at the Cabras plants.

Mr. Duenas hopes that the plants can actually be up within three years rather than five. The MEC 8 & 9 conversion will still occur within the 5-year lifespan. Commissioner Pangelinan indicated that it would be inconsistent for the PUC to say that there was a 5-year lifespan for the Cabras plants, but it turns out to be 10-years. Commissioner Duenas believed that if the PUC approves the plan, GPA can get the ball rolling. Chairman Duenas indicated that it starts with the EPCM. ALJ Horecky indicated that provisions authorizing the EPCM and the build operate transfer concept would be included in the Final Order.

ALJ Horecky again went over the three points that Chairman Duenas wished to include in the Order and Provisions. It will have the provisions on EPCM and build, operate, and transfer. A third provision would indicate that the Cabras Plants 1 & 2 shall be retired upon the commissioning of the combined cycle plants and the conversion of MEC 8 & 9. Upon motion duly made, seconded and unanimously carried, the Commissioners authorized GPA to procure up to 180MW combined cycle plant, approved the expenditure of \$750,000 with the EPCM, and adopted the Order made *Attachment "D"* hereto.

The Chairman stated that the next item of business was GPA Docket 17-01, Petition for Approval of the SCADA Contract, PUC Counsel Report, and Proposed Order. Counsel



indicated that GPA was requesting approval of its SCADA Contract with Benson Guam Enterprises, Inc. SCADA is the Supervisory Control and Data Acquisition System. GPA issued a multi-step bid for the SCADA system, which is for both GPA and GWA. GPA is replacing its present system, which is a Siemens powered TGENSYS energy management system. It has been in operation since 2006. For GWA, this will be the first time that it has had a SCADA system. Its objective is to provide GWA with a water and wastewater SCADA system to manage operations in a safe, reliable, and cost effective manner.

GWA will attempt to integrate approximately 60 SCADA-ready water and wastewater facilities by 2018. SCADA works as a control system. It can issue commands to the substations and other units, shut them down, ramp up energy production etc. It is like an overall control system, referred to as remote telemetry and control for the substations in GPA plants. It can perform similar functions for GWA facilities. The GWA system starts with 14 facilities. There are add-ons to the GPA system such as automatic generation control, dispatcher power flow, availability of information concerning the functioning of any plants etc. It has data provision information and storage. The Counsel Report gives an idea of what the SCADA system is and what it does.

There are two bidders on the RFP. GWA/GPA committee determined that Benson Guam Enterprises, Inc. was the lowest responsive and responsible bidder. GPA will be paying \$1,518,769.00 for the system, and GWA's share will be \$432,700.05. The total cost for the entire system is \$1,951,474. The GPA share will be paid through bond proceeds. The PUC Order, GPA Docket 14-09, dated December 1, 2014, already approved GPA's request to expend up to \$1.8M for the Fadian SCADA system. GWA's portion will also be bond funded under CIP line item EE09/08 SCADA Improvements Phase 3. The CCU approved the expenditure for SCADA and the contract with Benson Guam Enterprises, Inc.

Counsel's analysis indicates that this is a useful and worthwhile contract. GPA's contract was provided with the bid; it is a standard form contract that includes all the appropriate language for indemnification, insurance, warranty, and other provisions. The new SCADA system will be more compatible with smart grid and other upgrades that GPA has recently implemented. GWA indicated that its masterplan provided that a SCADA system should be implemented, and that it would also increase the efficiency of GWA operations. It will take one year to implement the SCADA system under the contract. The SCADA system will also assist with the integration with renewables into the GPA system. GPA and GWA have demonstrated that implementation of the SCADA system is reasonable, prudent, and necessary. Counsel recommends that the PUC approve the Order which authorizes the contract with Benson Guam Enterprises and the expenditure of \$1,951,474, with the respective shares of the agencies, the source being bond funds.



Upon motion duly made, seconded and unanimously carried, the Commissioners approved the SCADA Contract between Benson Guam Enterprise Inc. and GPA/GWA, and authorized the total expenditure of \$1,951,474 (with the respective shares of the two agencies). The PUC adopted the Order made *Attachment "E"* hereto.

The Chairman announced that the next item on the agenda was GPA Docket 17-02, Petition for Approval of the Cabras 1 Overhaul, PUC Counsel Report, and Proposed Order. Counsel stated that GPA is proposing to do the Cabras 1 Overhaul. Previously, the PUC approved GPA's CIP Budget in the amount of about \$18M. That amount included \$5.9M for this overhaul. GPA now seeks contract review approval for the Overhaul.

The Overhaul will not occur until July of 2017 and is expected to last 50 days. The Overhaul will be done through the PMC TEMES. TEMES has recommended the Overhaul to restore reliability, and availability of the plant, and to restore efficiency support to dispatch. The \$5,490,000 will be paid through internal GPA revenue funds. The details are set forth in the Counsel Report, which include Air Pre-heater Baskets, Archway Tubes, and Inlet Vein Control Assembly. GPA is proceeding now because there is a lead time for replacement of equipment and delivery of 20 to 36 weeks. GPA wants to issue the procurement now to TEMES so that the materials will be ready in time for the July 2017 overhaul. The last overhaul was in December 2013.

Cabras 1 has been in operation for 33 months without a major overhaul. It will be almost 40 months by the time that the overhaul is done in July 2017. GPA submitted a cost benefit analysis showing that it was a beneficial project undertaking. The Cabras 1 unit is essential to the island wide power system; therefore the Overhaul contract is reasonable, prudent, and necessary. One question, however, concerns TEMES' PMC Contract. It expires at the end of this year. At the last CCU meeting, the CCU passed a resolution to extend the TEMES contract for another five years. This being the case, Counsel recommends that the Overhaul be approved and that the amount of \$5,490,000 in revenue funds be authorized for the Overhaul. Upon motion duly made, seconded and unanimously carried, the Commissioners authorized the Overhaul for Cabras 1 at a cost of \$5,490,000 from revenue funds; the Order made *Attachment "F"* hereto was adopted.

The Chairman indicated that the next item for consideration was GPA Docket 17-03, Petition for Approval of Overhauls of Diesel Peaking Units, PUC Counsel Report, and Proposed Order. Counsel stated that this matter was also included in the CIP Budget request. The price for the next fiscal year is over \$2M, but the project will occur over three years at a total cost of \$7.8M. It involves the 10 peaking units located at Tenjo, Talafofo, and Manengon, with a total capacity of 45.8MW. These units were installed in 1983. There are 8 Caterpillar Diesel engines at Tenjo Vista and Talafofo and 2 Diesel engines at Manengon. They are in need of overhauls to ensure unit availability. GPA indicates that these units can be brought up and down quickly. The cost breakdown is



as follows: Engineering construction management, \$390,000; equipment and materials, \$5,070,000; contract labor and equipment, \$2,340,000; this comes up to the total three year budget of \$7.8M.

The CCU approved this Overhaul project. GPA will issue an IFB for performance of this overhaul work. Before GPA proceeds, it wished to secure the approval of the PUC since it is a 3-year project. The contractor will be entirely responsible for all of the work, including the replacement of parts, supply of new equipment, inspections, overhauls, generator maintenance and testing, etc. In the Manengon plant, there is a complete engine overhaul. The cost-benefit analysis show that GPA will derive benefit from this project. The overhaul timing for these generators may have already been exceeded. Because of the maintenance issue, GPA is proceeding ahead with the overhauls to assure that they get done. The overhauls for peaking unit are necessary to ensure their availability. The PUC is requested to approve the procurement and GPA should be authorized to expend the amount of \$7.8M over a 3-year period using revenue bonds. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Overhauls for the Tenjo, Talafofo, and Manengon peaking units and authorized the expenditure of \$7.8M in revenue funds over a 3-year period; the Order made *Attachment "G"* hereto was adopted.

The Chairman announced that the next item of business was GPA Docket 17-04, Petition for Approval of Procurement of PMC for Fuel Farm, PUC Counsel Report, and Proposed Order. Counsel indicated that, over the years, for the various contracts of the present PMC for the Fuel Farm facility, Vital Energy had been before the PUC. In 2012, the PUC approved the initial contract for the PMC for the Fuel Farm with Vital for a 3-year period. In April of 2015, the PUC approved a 2-year extension. The present contract with Vital runs through May 31, 2017. GPA is coming to the PUC early so that it can issue a IFB and will have a contractor in place by the time the contract expires on May 31, 2017. GPA submitted a lengthy draft IFB, five volumes.

The PMC is basically responsible for the management, maintenance, and operation of the GPA Fuel Farm storage facility. This facility stores fuel oil for the Cabras plants. The PMC is responsible to ensure that the Cabras plants are fully fueled and that the proper fuel is used, and that the fuel in the storage tanks meets the fuel requirements. The PMC oversees and assists GPA with CIP projects. The PMC is also responsible for environmental aspects such as compliance with the Oil Pollution Act. The PMC must be a member of GRESCO, the Guam Response Services Company which comes up with a plan in case there is an oil spill. The CCU approved the IFB. This contract would be for 3-years with an option to extend for 2 additional 1-year terms. The draft contract, the same one that GPA has previously used, is adequate. The procurement of a PMC for the Fuel Farm will definitely contribute to the efficient operation of the Cabras power plants and other plants. Counsel recommends that the PUC approve the procurement. Upon motion duly made, seconded and unanimously carried, the



Commissioners authorized GPA to issue an IFB for a PMC for the Fuel Farm Facility, and adopted the Order made *Attachment "H"* hereto.

The Chairman announced that the next item of business was GPA Docket 17-05, Petition for Approval of Contract relative to Engineering Technical Services, PUC Counsel Report, and Proposed Order. Counsel indicated that GPA presently has an environmental engineering and technical services contract with TRC Environmental. TRC works on such things as monitoring of air pollution, and working with GPA and USEPA to make sure that GPA is complying with environmental standards. Its 5-year contract was approved in 2011. In April of this year, the PUC extended that contract for an additional 5 years. The contract now runs through 2021.

GPA Counsel Botha indicates that the TRC contract has been limited because of expense. TRC is now only performing modeling services instead of monitoring. The scope and extent of the contract have been limited. This is why GPA is now asking for approval to go out to bid for another environmental and engineering technical services contract. The present request is really a request to procure a new environmental and technical services contract. The contract would include engineering, procurement, construction, and management services for the combined cycle plants and generation, power plant Life Extension studies, examination of the Fuel Farm storage facility, and specifications and engineering work. The scope is very broad. It includes the EPCM for the new generation.

As previously indicated GPA already has a bond allocation for the EPCM contract in the amount of \$750,000. For the proposed contract, GPA seeks to combine the EPCM and an environmental services and engineering contract with a very broad scope. Counsel believes that these two aspects should be kept separate for a couple of reasons. First, there is a bond source for the EPCM. For monitoring purposes, it would be preferable to keep the EPCM contract separate as it is a one year contract according to GM Benavente.

By separating these contract functions, it would be easier to monitor the funding sources. Two engineering and technical services contract are needed; however Counsel recommends that they be kept separate from the EPCM contract. GPA could well end up hiring the same contractor for both contracts. However it is preferable in order to keep the funding mechanisms separate. Counsel recommends that PUC authorize GPA to issue an IFB for the engineering and technical services, but that the EPCM contract be kept separate.

GM Benavente indicated that this approach by Counsel was acceptable to GPA. Commissioner Montinola clarified that Counsel was recommending two separate contracts, one for the EPCM, which was previously approved and the other for engineering services. Counsel indicated that the EPCM was previously approved in the New Generation Docket. Upon motion duly made, seconded and unanimously carried, the Commissioners authorized GPA to issue a procurement for the Engineering and



Technical Services Contract. However the EPCM contract should be separate. The Commissioners adopted the Order made *Attachment "I"* hereto.

The Chairman indicated that the next item of business was GPA Docket 17-06, Petition for Approval of the GPA Navy Renewable Study, PUC Counsel Report, and Proposed Order. Counsel indicated that GPA is seeking funding approval in the amount of \$895,377 for GPA-Navy Renewables Integration System Study. This study is being reviewed under contract review approval because GPA proposes to fund the study through bond funds, the remainder of LNG Initial Start-up funds from the 2014 bonds. Navy is offering to provide \$250,000 for the Study. The study not only examines the Navy contract with GPA, but would also consider the impact of all renewables on the GPA system and how GPA can integrate those renewables into the system. There are a lot of renewables in the system now, such as the 25MW Dandan facility, 60MW on the new Phase 2, and 13MW on Net Metering. With all of these new renewables coming into the system, GPA is faced with the real problem of integrating the renewables with other generation.

The problem has never been faced before. The Study will look at different generation plans, analyze a variety of potential solutions to mitigate the effects of intermittent generation to the transmission and distribution systems, and to integrate the renewable resources to the systems. The Study is anticipated to take 3 to 6 months to complete at a total cost of \$1,145,377. Mr. Adriano Balajadia, a certified professional engineer, is working on this study with Electric Power Systems, a well-known consultant on renewable energy. Navy will contribute \$250K toward the cost. Counsel to the Navy, Mr. Masterson, indicates to PUC Counsel that the money from Navy will be forthcoming. GPA's portion, \$895,377, comes from a 2014 bonds. GPA cannot proceed with renewables unless it does this study. The study is important and also may look at battery storage to some extent. The study is necessary to address intermittency and reliability issues, and is reasonable and prudent.

Counsel recommends that the PUC approve the Integration System Study and authorize GPA to expend the sum of \$846,957.78 from the 2014 bond fund allocation for the LNG Initial Start-up. A technical correction was discussed to the proposed Order, Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Integration Study and authorized GPA to expend \$846,957.78 from the 2014 bond allocation for the LNG Initial Start-up. The Commissioners adopted the Order made *Attachment "J"* hereto.

The Chairman announced that the final item on the agenda was GPA Docket 17-07, Petition for Extension of Property Insurance Contract, PUC Counsel Report, and Proposed Order. Counsel stated that, at the last meeting GPA had requested approval to issue a procurement on its property insurance. However, the PUC determined that GPA should not be authorized to issue the procurement. The PUC suggested that GPA had the option of renewal of the contract. In the meantime, GPA did enter into



negotiations with the insurance underwriters to renew the property insurance contract for the period of November 1, 2016 through November 1, 2018. The premium initially suggested by the underwriters, \$6,662,309, was reduced to \$6,450,000. There are certain additional contract requirements. GPA also negotiated additional coverage for cyber issues without an additional premium. The CCU approved this renewal of the property insurance for two years. GPA is required to have property insurance by its bond indenture. It has no other choice here.

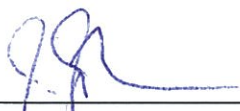
The insurance protects both GPA and the bond holders of GPA. The insurance cost is an issue. Between 2008 and 2014, the annual premiums of GPA's property insurance have ranged between \$5.237M and \$5.406M. This current policy will cost about \$1M more for the annual premium; that is expensive. This increase in cost may relate to the claims on Cabras 3 & 4. But this is the only option GPA has at this time to acquire the proper property insurance. GPA negotiated the price as low as it could. Counsel recommends that the PUC approve the contract renewal for the property insurance for the period of November 1, 2016 through November 1, 2018, at a cost of \$6,450,000 on the annual policy premium.

Commissioner McDonald asked whether, upon renewal, GPA is complying with all of the endorsements as of November 1. GPA CFO Kim indicated that it would be complying but there was one endorsement which required 24 hour surveillance by the PMCs, which is still being negotiated. GM Benavente indicated that GPA was attempting to work out this matter with the Insurer. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the two year extension of the Property Insurance Policy at an annual premium of \$6,450,000. The PUC adopted the Order made *Attachment "K"* hereto.

#### 4. **Administrative Matters**

The Commissioners discussed the fact that the PUC November meeting was on Thanksgiving. Counsel indicated that a resolution adopted by the PUC in 2014 provides that where the meeting falls on a holiday, it is automatically transferred to the following Monday. That means that the November meeting will be on November 28, a Monday.

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

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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 27, 2016**

**Agenda**

1. Approval of Minutes of September 29, 2016
2. TeleGuam Holdings LLC
  - GTA Docket 16-03, GTA Tariff Transmittal No. 26, ALJ Report, and Proposed Order
3. Guam Power Authority
  - GPA Docket 16-01, GPA's Streetlight Rate Schedule F and H Filing, ALJ 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 17-01, Petition for Approval of SCADA Contract, PUC Counsel Report, and Proposed Order
  - GPA Docket 17-02, Petition for Approval of the Cabras 1 Overhaul, PUC Counsel Report, and Proposed Order
  - GPA Docket 17-03, Petition for Approval of Diesel Peaking Units Overhaul, PUC Counsel Report, and Proposed Order
  - GPA Docket 17-04, Petition for Approval of Procurement of PMC for Fuel Farm, PUC Counsel Report, and Proposed Order
  - GPA Docket 17-05, Petition for Approval of Contract relative to Engineering & Technical Services Supporting GPA's Resource Plan, PUC Counsel Report, and Proposed Order
  - GPA Docket 17-06, Petition for Approval of GPA-Navy Renewables Study, PUC Counsel Report, and Proposed Order
  - GPA Docket 17-07, GPA Petition for Extension of Property Insurance Contract, PUC Counsel Report, and Proposed Order
4. Administrative Matters
5. Other Business





**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF: )  
TELEGUAM HOLDINGS LLC, ) GTA DOCKET 16-03  
GENERAL EXCHANGE TARIFF NO. 1, ) ORDER  
TARIFF TRANSMITTAL NO. 26 )

**INTRODUCTION**

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the submission of Tariff Transmittal No. 26 by Teleguam Holdings LLC ["GTA"].<sup>1</sup> GTA filed an Amended Tariff Transmittal No. 26 on October 20, 2016.<sup>2</sup>
2. In accordance with 12 GCA §12206(b), a telecommunications company may not make a change in its rates or charges for a telecommunication service in its tariff except upon prior notice to, and approval by the PUC.<sup>3</sup>
3. Tariff Transmittal No. 26 will create three basic changes in the current General Exchange Tariff No. 1: (1) establishment of a new rate element, Local Network Interphase Charge ("LNIC"); (2) removal of the applicability of the National Exchange Carrier Association ("NECA") Tariff FCC No. 5 to GTA Ethernet Transport Service rates and substitution of its own proposed tariffed rates for GTA Metro Ethernet Transport Services; and (3) deletion of Telegraph Grade Service.<sup>4</sup>

**BACKGROUND**

4. In January 2015, GTA consolidated its wire centers from three (3) serving wire centers to a single serving wire center. For this network configuration necessitated the removal of tariff rates for the mileage-related rate elements of channel mileage termination, channel mileage facility, bridging hubs, and interswitch and interoffice rate elements.<sup>5</sup>
5. GTA, with the assistance of its Consultant JSI, prepared a new rate element/structure, Local Network Interphase Charge ("LNIC"), to recover the cost

<sup>1</sup> GTA Tariff Transmittal No. 26, General Exchange Tariff (GET), Revisions to Special Access Service, GTA Docket 16-03, dated June 24, 2016. Along with its Transmittal, GTA included General Exchange Tariff No. 1, with revisions to Section 7, SPECIAL ACCESS SERVICE. With the Submission GTA also included confidential Attachment A, which set forth the current rate design and the rate option with Local Network Interphase Change ("LNIC").

<sup>2</sup> Amended Tariff Transmittal No. 26 Revisions to Special Access Service, General Exchange Tariff, GTA Docket 16-03, filed October 20, 2016.

<sup>3</sup> 12 GCA §12206(b).

<sup>4</sup> GTA Tariff Transmittal No. 26, GTA Docket 16-03, dated June 24, 2016, at pgs. 1-2.

<sup>5</sup> GTA Tariff Transmittal No. 26, GTA Docket 16-03, dated June 24, 2016, at p. 1.



of local private line transport previously recovered through channel mileage charges. The LNIC recovers the cost associated with the communications path between a customers designated premises and GTA's serving wire center. The LNIC is in addition to the channel termination charge and is assessed for every Special Access channel termination provided by GTA.<sup>6</sup>

6. Consultant JSI developed a process to gather historical data, both demand and cost. It then developed actual embedded costs using FCC rules and process. Then JSI compared historical revenues to historical costs to ensure that it did not set rates higher than costs. Overall, the implementation of the new LNIC rate structure in place of the prior tariff would result in an overall 2.208% decrease in company revenues going forward.<sup>7</sup>
7. In GTA Docket 12-12, the PUC approved GTA's revised tariff for Metro Ethernet Services. Basically, GTA incorporated the rates for Metro Ethernet Services from National Exchange Carrier Association Tariff FCC No. 5 Rate Band No. 6.<sup>8</sup> On June 21, 2016, GTA filed Notice with the PUC of revised Metro Ethernet Rate Changes under National Exchange Carrier Association Tariff FCC No. 5. The rates were increased, and GTA was reassigned to Rate Band 19 for Ethernet Transport Services.<sup>9</sup>
8. GTA seeks to replace the NECA Tariff with proposed rates from Metro Ethernet Services. GTA believes that, by making this transition to local tariffed rates, GTA will be better able to serve the needs of customers and avoid the continued rate fluctuations associated with the NECA tariff filings. Additionally, this change will allow GTA to set rates based on the company's specific costs as opposed to the NECA pooling rates.<sup>10</sup>
9. GTA now believes that it has the experience and understanding of the local market for Ethernet Transport Services to be able to set its own rates. This will provide stable pricing for GTA customers as the tariffs will not have to be changed as often.<sup>11</sup>
10. The final change GTA proposes is to delete Telegraph Grade Service, a special access service for which there are no existing customers and no demand. Upon Commission approval, GTA will no longer offer Telegraph Grade Service.<sup>12</sup>

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<sup>6</sup> Id.

<sup>7</sup> Amended Tariff Transmittal No. 26 Revisions to Special Access Service, General Exchange Tariff, GTA Docket 16-03, filed October 20, 2016, GTA Docket 16-03, at p. 2.

<sup>8</sup> PUC Order GTA Docket 12-12, Tariff Transmittal No. 22, dated November 20, 2012.

<sup>9</sup> GTA Notice of Metro Ethernet Rate Change per NECA Tariff Transmittal No. 1489, GTA Docket 12-12 (Order Nov. 20, 2012).

<sup>10</sup> GTA Tariff Transmittal No. 26, GTA Docket 16-03, dated June 24, 2016, at p. 1.

<sup>11</sup> JSI Confidential Report dated August 23, 2016 at p. 2.

<sup>12</sup> GTA Tariff Transmittal No. 26, GTA Docket 16-03, dated June 24, 2016, at p. 2.



11. The PUC caused to be published in the Pacific Daily News Public Notice for a Public Hearing on GTA Tariff Transmittal No. 26 on August 31, 2016 and September 15, 2016. The public was notified that there would be a Public Hearing on GTA Tariff Transmittal No. 26 on September 22, 2016, 6p.m., at the PUC Conference Room at Suite 202 GCIC Bldg.<sup>13</sup>
12. On September 22, 2016, at 6 p.m., the Administrative Law Judge convened the Public Hearing on Tariff Transmittal No. 26 at the PUC conference room. The proponent of the tariff, GTA, attended the hearing; Pacific Data Systems Inc., through its President, John Day, also attending the hearing and submitted written comments.<sup>14</sup>
13. In its Amended Tariff Transmittal No. 26, GTA made certain revisions in order to clarify issues concerning the original submittal. GTA proposed certain changes to its new "LNIC "(Local Network Interface Charge), which is designed to recover the cost of local private line transport previously recovered through the Channel Mileage Termination and Channel Mileage Facility charges.<sup>15</sup>
14. The proposed LNIC element will not be applied to existing customers who are not currently charged CMT and CMF rates, so long as those circuits remain in service. The LNIC will apply only to those existing customers who are previously paying CT *and* CMT and CMF charges and to customers ordering such services after the effective of this Tariff Transmittal.<sup>16</sup>
15. Overall, the introduction of the LNIC in conjunction with the removal of the CMT and CMF elements charges will result in a slight revenue decrease for GTA.<sup>17</sup> As a result of the LNIC rate element, some customers will see rate declines while others may experience overall rate increases depending on the customer's specific situation.<sup>18</sup>
16. The Administrative Law Judge filed his Report herein dated October 26, 2016. The Commission adopts the Determinations and Recommendations contained in the Report.

### **DETERMINATIONS**

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<sup>13</sup> PUBLIC NOTICE, GTA Docket 16-03, Published in the Pacific Daily News on August 31, 2016, and September 15, 2016.

<sup>14</sup> Letter dated September 22, 2016, from John Day, President, Pacific Data Systems to Fred Horecky, PUC Counsel, re: PDS Public Comments reference GTA Docket 16-03 and GTA Tariff Transmittal No. 26.

<sup>15</sup> Amended Tariff Transmittal No. 26 Revisions to Special Access Service, General Exchange Tariff, GTA Docket 16-03, filed October 20, 2016, GTA Docket 16-03, at p 1.

<sup>16</sup> Id. at pgs 1-2.

<sup>17</sup> Id. at p. 2.

<sup>18</sup> Id.



17. GTA and its Consultant JSI demonstrated that there is a need to change the current General Exchange Tariff regarding Special Access Service. Given the consolidation of GTA's network infrastructure to a single serving wire center, rates for mileage-related rate elements of channel mileage termination, channel mileage facility, bridging hubs, and interswitch and interoffice rate elements should be removed from the Tariff.
18. The record indicates that GTA's Consultant, JSI, engaged in a detailed and rational process to update special access charges and rates; there is nothing in the record to indicate that the rates or charges proposed are unnecessary or unreasonable.
19. At this time, PDS has not demonstrated that there is a necessity for the PUC to impose a 2% "cap" upon GTA's tariff charges as set forth in Amended Tariff Transmittal No. 26. PDS has not demonstrated that it would face any rate impact as a result of this tariff.
20. Although it was suggested that the LNIC tariff could impact other telecom companies, no company other than PDS appeared at the Public Hearing or submitted testimony in opposition to the proposed Tariff.
21. After the filing of the amended Tariff Transmittal 26, PDS, through its President John Day, wrote GTA asking how certain special access circuits (DS1, OC3, OC12 etc.) and Ethernet Transport Service (ETS) would be impacted by the proposed GTA rate changes.<sup>19</sup>
22. To address PDS' concerns, the ALJ scheduled a conference with the parties and GTA consultants for 8:30a.m. on October 25, 2016, at the PUC Office.
23. GTA and its consultant JSI first clarified that the Amended Tariff Transmittal No. 26 would not have any impact on any *existing* services provided to PDS.
24. In response to PDS' request for cost information regarding services before and after implementation of the amended tariff, at the conference GTA submitted to the PUC and PDS a comparison of rates for certain services of the existing tariff and on the proposed tariff. GTA used the excel spreadsheet form prepared by PDS. The form indicates Service Quotes based upon the existing Tariff and Service Quotes based on Proposed Tariff.
25. At the conference, PDS clarified that the listing of services on its form *are not* services that it presently receives or utilizes, but services that it could possibly be interested in for the future.

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<sup>19</sup> Email from John Day to Serge Quenga dated October 20, 2016, with excel forms attached.



26. After the conference GTA submitted and updated version of the format prepared by PDS. GTA had filled in the cost of each of the services requested by PDS. Such form is attached hereto as Exhibit "A".
27. The updated form demonstrates that rates for all of the Ethernet Transport Services are reduced after the implementation of Amended Tariff Transmittal No. 26, including at 10Mb, 50Mb, 100Mb and 1Gb. The prices for Metro Ethernet Transport Service decrease under the Proposed Tariff.
28. At the PUC Meeting on October 27, GTA submitted a further updated form indicating prices both before and after implementation of the Proposed Tariff. Said form is attached hereto as Exhibit "B".
29. The further updated form indicates that after the implementation of the Proposed Tariff, nearly all of the prices for Special Access Services (DS1, DS3, OC3, and OC12) *will decrease*. All of the prices for Ethernet Transport Service (10Mb, 50Mb, 100 Mb, and 1Gb) *also decrease*.
30. PDS has not alleged any prejudice from the rates proposed. Mr. Day indicated that PDS does not intend to order such special access circuits in the near future. Furthermore, in the event that it did need Special Access circuits, he indicates that PDS would likely need bigger circuits such as OC3 or OC12 for higher capacity, and not DS1.
31. Thus, the proposed tariff for Special Access Circuits do not affect any service that PDS currently receives or likely intends to receive in the future. PDS has not demonstrated harm or prejudice from proposed Tariff Transmittal.
32. The overall impact of the rates proposed by GTA for special access service under the Proposed Tariff is essentially revenue neutral. GTA should be given some latitude in adjusting rates to ensure that the changes resulting from its new network infrastructure to have result in a loss of revenues. The overall impact is a revenue reduction of 2.208%.
33. GTA's Consultant, Mark Ellmer of JSI, indicates that prices for some circuits would go up, while others would go down.
34. PDS indicates that it has no present plans to avail itself of the new services.



35. PDS raises a legitimate concern regarding the proposed Individual Case Basis ("ICB") rates for Special Access Services. No methodology is indicated as to how such rates would apply to Special Access Service.
36. PDS also raises the issue that there are certain discount rates provided in NECA Tariff No. 5 for Metro Ethernet Services, which is not in the present Amended Tariff, as well as other discounts. At the Conference, GTA agreed to incorporate the term discounts under the NECA Tariff into its Proposed Tariff. It should also be required to institute an ICB for Special Access Services.

### **ORDERING PROVISIONS**

Having considered the record of the proceedings herein, Tariff Transmittal No. 26, the filings of the parties, and the ALJ Report dated October 26, 2016, and good cause appearing, the Guam Public Utilities Commission hereby **ORDERS** as follows:


1. In accordance with the provisions of 12 GCA §12206(b), GTA's proposed Tariff Transmittal No. 26 is approved. The Tariff will be effective upon provision by GTA to its customers of the agreed 30 day notice.
2. The overall plan of GTA to institute a LNIC charge is reasonable, given the changes in GTA's network infrastructure to one wire center. Existing customers are not, for the most part, affected.
3. The changes in the prices for Special Access Circuits and Metro Ethernet Services, when considered as a whole, are reasonable. The impact is revenue neutral.
4. GTA's request to replace the NECA Tariff with proposed rates for the Metro Ethernet Services is justified. The proposed rates under the amended Tariff Transmittal for Metro Ethernet Services are actually less than the prior NECA rates. GTA, by having its own local tariffed rates, will not be required to continue to change its rates in accordance with the NECA tariff and will be able to set such rates based upon its specific costs.
5. There is no present demand for Telegraph Grade Service. Such Service is deleted in accordance with Tariff Transmittal No. 26. There will be no adverse impact from deletion of the service.
6. GTA is required to include provisions in its Tariff for ICB and special discounted services (modeled after the NECA Tariff) for its customers. GTA shall file such provision with the PUC within 60 days of the date of issuance of




the PUC Order in this matter. Such provisions may be approved by the Administrative Law Judge if it complies with the requirements of this Order.

7. GTA shall pay the PUC's regulatory expenses and fees in this docket.

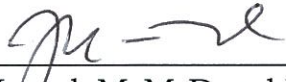
Dated this 27th day of October, 2016.

  
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Jeffrey C. Johnson  
Chairman

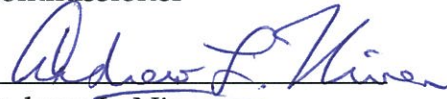
  
\_\_\_\_\_  
Rowena E. Perez  
Commissioner

  
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Michael A. Pangelinan  
Commissioner

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Filomena M. Cantoria  
Commissioner

  
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Joseph M. McDonald  
Commissioner

  
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Peter Montinola  
Commissioner

  
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Andrew L. Niven  
Commissioner



## Service Quotes based on Existing Tariff

From	To	Special Access Circuits				Ethernet Transport Service			
		DS1	DS3	OC3	OC12	10Mb	50Mb	100Mb	1Gb
PDS Collo at Merizo CO	PDS Collo at Hagatna CO	\$ 352.50	\$ 4,102.38	\$ 2,722.38	\$ 5,313.60	\$ 427.71	\$ 529.49	\$ 568.53	\$ 1,286.22
PDS Collo at Agat CO	PDS Collo at Hagatna CO	\$ 352.50	\$ 4,102.38	\$ 2,722.38	\$ 5,313.60	\$ 427.71	\$ 529.49	\$ 568.53	\$ 1,286.22
PDS Collo at Inarajan CO	PDS Collo at Hagatna CO	\$ 352.50	\$ 4,102.38	\$ 2,722.38	\$ 5,313.60	\$ 427.71	\$ 529.49	\$ 568.53	\$ 1,286.22
GTA Orote CO (assume V-Collo)	PDS Collo at Hagatna CO	\$ 352.50	\$ 4,102.38	\$ 2,722.38	\$ 5,313.60	\$ 427.71	\$ 529.49	\$ 568.53	\$ 1,286.22
PDS Collo at Agat CO	PDS Collo at Hagatna CO	\$ 352.50	\$ 4,102.38	\$ 2,722.38	\$ 5,313.60	\$ 427.71	\$ 529.49	\$ 568.53	\$ 1,286.22
PDS Collo at Talafofo CO	PDS Collo at Hagatna CO	\$ 352.50	\$ 4,102.38	\$ 2,722.38	\$ 5,313.60	\$ 427.71	\$ 529.49	\$ 568.53	\$ 1,286.22
PDS V-Collo at Tiyan CO	PDS Collo at Hagatna CO	\$ 352.50	\$ 4,102.38	\$ 2,722.38	\$ 5,313.60	\$ 427.71	\$ 529.49	\$ 568.53	\$ 1,286.22
PDS Collo at Astumbo CO	PDS Collo at Dededo CO	\$ 352.50	\$ 4,102.38	\$ 2,722.38	\$ 5,313.60	\$ 549.40	\$ 685.80	\$ 726.32	\$ 1,513.46
PDS Collo at Yigo CO	PDS Collo at Dededo CO	\$ 352.50	\$ 4,102.38	\$ 2,722.38	\$ 5,313.60	\$ 549.40	\$ 685.80	\$ 726.32	\$ 1,513.46
GTA AAFB CO (assume V-Collo)	PDS Collo at Dededo CO	\$ 352.50	\$ 4,102.38	\$ 2,722.38	\$ 5,313.60	\$ 549.40	\$ 685.80	\$ 726.32	\$ 1,513.46
PDS V-Collo at Tiyan CO	PDS Collo at Dededo CO	\$ 352.50	\$ 4,102.38	\$ 2,722.38	\$ 5,313.60	\$ 549.40	\$ 685.80	\$ 726.32	\$ 1,513.46

## Service Quotes based on Proposed Tariff

From	To	Special Access Circuits				Ethernet Transport Service			
		DS1	DS3	OC3	OC12	10Mb	50Mb	100Mb	1Gb
PDS Collo at Merizo CO	PDS Collo at Hagatna CO	\$ 507.94	\$ 4,257.82	\$ 2,722.38	\$ 5,313.60	\$ 390.92	\$ 483.96	\$ 519.65	\$ 1,175.63
PDS Collo at Agat CO	PDS Collo at Hagatna CO	\$ 507.94	\$ 4,257.82	\$ 2,722.38	\$ 5,313.60	\$ 390.92	\$ 483.96	\$ 519.65	\$ 1,175.63
PDS Collo at Inarajan CO	PDS Collo at Hagatna CO	\$ 507.94	\$ 4,257.82	\$ 2,722.38	\$ 5,313.60	\$ 390.92	\$ 483.96	\$ 519.65	\$ 1,175.63
GTA Orote CO (assume V-Collo)	PDS Collo at Hagatna CO	\$ 507.94	\$ 4,257.82	\$ 2,722.38	\$ 5,313.60	\$ 390.92	\$ 483.96	\$ 519.65	\$ 1,175.63
PDS Collo at Agat CO	PDS Collo at Hagatna CO	\$ 507.94	\$ 4,257.82	\$ 2,722.38	\$ 5,313.60	\$ 390.92	\$ 483.96	\$ 519.65	\$ 1,175.63
PDS Collo at Talafofo CO	PDS Collo at Hagatna CO	\$ 507.94	\$ 4,257.82	\$ 2,722.38	\$ 5,313.60	\$ 390.92	\$ 483.96	\$ 519.65	\$ 1,175.63
PDS V-Collo at Tiyan CO	PDS Collo at Hagatna CO	\$ 507.94	\$ 4,257.82	\$ 2,722.38	\$ 5,313.60	\$ 390.92	\$ 483.96	\$ 519.65	\$ 1,175.63
PDS Collo at Astumbo CO	PDS Collo at Dededo CO	\$ 663.38	\$ 4,413.26	\$ 2,722.38	\$ 5,313.60	\$ 502.16	\$ 626.82	\$ 663.86	\$ 1,383.34
PDS Collo at Yigo CO	PDS Collo at Dededo CO	\$ 663.38	\$ 4,413.26	\$ 2,722.38	\$ 5,313.60	\$ 502.16	\$ 626.82	\$ 663.86	\$ 1,383.34
GTA AAFB CO (assume V-Collo)	PDS Collo at Dededo CO	\$ 663.38	\$ 4,413.26	\$ 2,722.38	\$ 5,313.60	\$ 502.16	\$ 626.82	\$ 663.86	\$ 1,383.34



### Service Quotes based on Existing Tariff

From	To	Special Access Circuits				Ethernet Transport Service			
		DS1	DS3	OC3	OC12	10Mb	50Mb	100Mb	1Gb
* REC	* REC								
PDS Collo at Merizo CO	PDS Collo at Hagatna CO	\$ 866.64	\$ 7,393.75	\$ 6,071.36	\$ 13,687.60	\$ 427.71	\$ 529.49	\$ 568.53	\$ 1,286.22
PDS Collo at Agat CO	PDS Collo at Hagatna CO	\$ 713.52	\$ 6,339.59	\$ 4,951.36	\$ 11,447.60	\$ 427.71	\$ 529.49	\$ 568.53	\$ 1,286.22
PDS Collo at Inarajan CO	PDS Collo at Hagatna CO	\$ 904.92	\$ 7,657.29	\$ 6,351.36	\$ 14,247.60	\$ 427.71	\$ 529.49	\$ 568.53	\$ 1,286.22
GTA Orote CO (assume V-Collo)	PDS Collo at Hagatna CO	\$ 713.52	\$ 6,339.59	\$ 4,951.36	\$ 11,447.60	\$ 427.71	\$ 529.49	\$ 568.53	\$ 1,286.22
PDS Collo at Agat CO	PDS Collo at Hagatna CO	\$ 713.52	\$ 6,339.59	\$ 4,951.36	\$ 11,447.60	\$ 427.71	\$ 529.49	\$ 568.53	\$ 1,286.22
PDS Collo at Talafofo CO	PDS Collo at Hagatna CO	\$ 732.66	\$ 6,471.36	\$ 5,091.36	\$ 11,727.60	\$ 427.71	\$ 529.49	\$ 568.53	\$ 1,286.22
PDS V-Collo at Tiyan CO	PDS Collo at Hagatna CO	\$ 636.96	\$ 5,812.51	\$ 4,391.36	\$ 10,327.60	\$ 427.71	\$ 529.49	\$ 568.53	\$ 1,286.22
PDS Collo at Astumbo CO	PDS Collo at Dededo CO	\$ 636.96	\$ 5,812.51	\$ 4,391.36	\$ 10,327.60	\$ 549.40	\$ 685.80	\$ 726.32	\$ 1,513.46
PDS Collo at Astumbo CO	PDS Collo at Dededo CO	\$ 656.10	\$ 5,944.28	\$ 4,531.36	\$ 10,607.60	\$ 549.40	\$ 685.80	\$ 726.32	\$ 1,513.46
PDS Collo at Astumbo CO	PDS Collo at Dededo CO	\$ 656.10	\$ 5,944.28	\$ 4,531.36	\$ 10,607.60	\$ 549.40	\$ 685.80	\$ 726.32	\$ 1,513.46
GTA AAFB CO (assume V-Collo)	PDS Collo at Dededo CO	\$ 694.38	\$ 6,207.82	\$ 4,811.36	\$ 11,167.60	\$ 549.40	\$ 685.80	\$ 726.32	\$ 1,513.46
PDS V-Collo at Tiyan CO	PDS Collo at Dededo CO	\$ 617.82	\$ 5,680.74	\$ 4,251.36	\$ 10,047.60	\$ 549.40	\$ 685.80	\$ 726.32	\$ 1,513.46

Billing Elements: CT+CMT+CMF

### Service Quotes based on Proposed Tariff

From	To	Special Access Circuits				Ethernet Transport Service			
		DS1	DS3	OC3	OC12	10Mb	50Mb	100Mb	1Gb
* REC	* REC								
PDS Collo at Merizo CO	PDS Collo at Hagatna CO	\$ 507.94	\$ 4,257.82	\$ 2,722.38	\$ 5,313.60	\$ 390.92	\$ 483.96	\$ 519.65	\$ 1,175.63
PDS Collo at Agat CO	PDS Collo at Hagatna CO	\$ 507.94	\$ 4,257.82	\$ 2,722.38	\$ 5,313.60	\$ 390.92	\$ 483.96	\$ 519.65	\$ 1,175.63
PDS Collo at Inarajan CO	PDS Collo at Hagatna CO	\$ 507.94	\$ 4,257.82	\$ 2,722.38	\$ 5,313.60	\$ 390.92	\$ 483.96	\$ 519.65	\$ 1,175.63
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PDS Collo at Talafofo CO	PDS Collo at Hagatna CO	\$ 507.94	\$ 4,257.82	\$ 2,722.38	\$ 5,313.60	\$ 390.92	\$ 483.96	\$ 519.65	\$ 1,175.63
PDS V-Collo at Tiyan CO	PDS Collo at Hagatna CO	\$ 507.94	\$ 4,257.82	\$ 2,722.38	\$ 5,313.60	\$ 390.92	\$ 483.96	\$ 519.65	\$ 1,175.63
PDS Collo at Astumbo CO	PDS Collo at Dededo CO	\$ 663.38	\$ 4,413.26	\$ 2,722.38	\$ 5,313.60	\$ 502.16	\$ 626.82	\$ 663.86	\$ 1,383.34
PDS Collo at Astumbo CO	PDS Collo at Dededo CO	\$ 663.38	\$ 4,413.26	\$ 2,722.38	\$ 5,313.60	\$ 502.16	\$ 626.82	\$ 663.86	\$ 1,383.34
PDS Collo at Astumbo CO	PDS Collo at Dededo CO	\$ 663.38	\$ 4,413.26	\$ 2,722.38	\$ 5,313.60	\$ 502.16	\$ 626.82	\$ 663.86	\$ 1,383.34
GTA AAFB CO (assume V-Collo)	PDS Collo at Dededo CO	\$ 663.38	\$ 4,413.26	\$ 2,722.38	\$ 5,313.60	\$ 502.16	\$ 626.82	\$ 663.86	\$ 1,383.34
PDS V-Collo at Tiyan CO	PDS Collo at Dededo CO	\$ 663.38	\$ 4,413.26	\$ 2,722.38	\$ 5,313.60	\$ 502.16	\$ 626.82	\$ 663.86	\$ 1,383.34

BILLING ELEMENTS: CT+LNIC





**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF:** ) **GPA DOCKET 16-01**  
)  
)  
**TARIFF FOR LED** ) **ORDER**  
**STREETLIGHTS** )  
\_\_\_\_\_ )

**INTRODUCTION**

This matter came before the Guam Public Utilities Commission (the “PUC”) pursuant to the PUC’s September 24, 2013 FY13 Rate Decision for Guam Power Authority (“GPA”) and GPA’s February 3, 2016 Petition to establish a tariff on LED Street Lighting.

**DETERMINATIONS**

In the PUC’s FY13 Rate Decision, the PUC ordered GPA to submit with the PUC a filing regarding “LED Street Lighting, which will include rates to be charged for LED street lights, and a position statement on the development of cost-based maintenance-only charges for LED street lights that are purchased directly by the customer or separately financed by the customer through GPA.”<sup>1</sup>

On November 12, 2015, the PUC issued a reminder to GPA, indicating that GPA had not prepared a proposed tariff on LED Street Lighting, and that it must do so by December 30, 2015. On December 30, 2015, GPA requested an extension to file its proposed tariff, which the PUC granted. On February 3, 2016, GPA submitted its proposed tariff for LEDs for private outdoor lighting and street lighting, in the form of

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<sup>1</sup> FY13 Rate Decision, GPA Docket 11-09, p. 9 (Sept. 24, 2013).



amendments to rate schedules “F” and “H.” In accordance with the Ratepayers Bill of Rights, on October 18, 19, and 20, 2016, public hearings were held in the villages of Hagåtña, Asan, and Dededo, to receive testimony related to GPA’s proposed tariff.

On October 26, 2016, the Administrative Law Judge of the PUC, Joephet R. Alcantara (the “ALJ”) filed a report regarding review of the subject Petition, which included his findings and recommendations based on the administrative record before the PUC. The ALJ made the following findings.

**A. GPA’s February 3, 2016 Petition**

In its February 3, 2016 Petition, GPA proposed amendments to rate Schedules “F” and “H.” Specifically, GPA proposed to add to these schedules, rates for Light-Emitting Diode (“LED”) street lamps. GPA’s current streetlight rates indicated on Schedules “F” and “H” are “comprised on an energy charge, a fixture charge, and fuel recovery charge among other applicable surcharges which utilizes the established energy consumption of an HPS light.”<sup>2</sup> GPA requested that the following LED items be added to Schedule F, Street Lighting, and Schedule H, Private Outdoor Lighting.

<u>Lamp Type</u>	<u>Wattage</u>	<u>kWh per month</u>	<u>Amount per lamp per month</u>
Light Emitting Diode (LED 250)	120	43.2	\$26.15
Light Emitting Diode (LED 150)	67	24.1	\$19.10

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<sup>2</sup> Resolution No. 2016-03, issued by the Consolidated Commission on Utilities (“CCU”), p. 1 (Jan. 26, 2016).



However, “[t]he energy consumption of an LED light is significantly lower than that of a HPS light which is a 24 kWh for LED vs 67 kWh for HPS per month for 150 W equivalent lights and 43 kWh vs 108 kWh per month for 250 W equivalent lights.”<sup>3</sup> Accordingly, the rates for the LED lamps reflected this reduction in energy consumption.

<u>Lamp Type</u>	<u>Wattage</u>	<u>kWh per month</u>	<u>Amount per lamp per month</u>
High Pressure Sodium	250	101	\$26.15
High Pressure Sodium	150	54	\$19.10
Light Emitting Diode (LED 250)	120	43.2	\$26.15
Light Emitting Diode (LED 150)	67	24.1	\$19.10

Furthermore, based on GPA’s Rate Study, GPA submitted that the cost of installation is \$973 for an LED 250 lamp, and \$953 for an LED 150 lamp; and that the annual cost of maintenance is \$72 for an LED 250 lamp, and \$68 for an LED 150 lamp. Based on these costs, GPA further submitted that the LED streetlights require an annual revenue requirement of \$225.13 for an LED 250 lamp, and \$194.44 for an LED 150 lamp. Based on the calculations prepared by GPA, the proposed rates would result in the following monthly revenues: \$35.34 for an LED 250 lamp; and \$24.23 for an LED 150 lamp, enough to cover the revenue requirements. Any additional revenue will be used “to fund the change out program . . . .”<sup>4</sup>

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<sup>3</sup> *Id.*

<sup>4</sup> *Id.* at 2.



In addition, the proposed rates would also result in a savings for customers who currently pay the rates for the High Pressure Sodium (“HPS”) streetlamps. The monthly revenue for HPS streetlights are as following: \$47.63 for an HPS 250 lamp; and \$30.59 for an HPS 150 lamp. Accordingly, it appeared that the proposed rates satisfy the revenue requirements, as well as result in a savings for the customers who currently pay the rates for the HPS lamps.

**B. Public Hearings**

At the October 18, 2016 public hearing in Hagåtña, GPA General Manager John Benavente gave a brief presentation concerning its LED streetlight program. The following are highlights from the presentation.

As indicated in its Petition, GPA proposed a \$26.15 fixture charge for an LED 250 lamp; and a \$19.10 fixture charge for an LED 150 lamp. The energy and fuel recovery charge is identical to the charges for the high pressure sodium lamps. However, GPA also proposed changes to energy usage to reflect the reduced energy consumption of LED lamps. Accordingly, the proposed KWHR is reduced by more than fifty-percent for less wattage. In the case of an LED 250 lamp, GPA set the KWHR per month at 43.2, and 24.1 for an LED 150 lamp. According to GPA, this results in a reduction of between 19% to almost 25%, depending on the LED lamp.

At present, LED lamps are much more affordable than they were two (2) years ago, which allows GPA to internally fund the LED replacement program. Additionally, GPA submitted that its annual maintenance cost for the LED lights should drop about 80%, resulting in a savings of \$400,000 per year.



Around 5,675 streetlights have been replaced with LED lamps. GPA estimated that it will cost about \$5 million to replace the remaining streetlights, and that such replacement should be completed within the next two (2) years.

At the Dededo and Asan public hearings, there were a few members of the public who attended, and who mainly had questions regarding the LED replacement program, as well as any effect it had on their bills. Representatives from GPA were present and answered these questions.

**C. Conclusion and Recommendation**

Based on the costs calculated by GPA, the LED streetlights require an annual revenue requirement of \$225.13 for an LED 250 lamp, and \$194.44 for an LED 150 lamp. Based on the calculations prepared by GPA, the proposed rates would result in the following monthly revenues: \$35.34 for an LED 250 lamp; and \$24.23 for an LED 150 lamp, which satisfy the monthly revenue requirement. Accordingly, approval of the LED tariff would allow GPA to meet its operating expenses with regard to its LED replacement program. In addition, the proposed rates would also result in a savings for customers who currently pay the rates for the HPS streetlights. Compared to the HPS rates, a customer could expect to save 57.8 KWHR per month for an LED 250 lamp, or 29.9 KWHR per month for an LED 150 lamp. Based on the study prepared by GPA, the proposed rates indicated in its Petition appeared just and reasonable.



Moreover, research indicates that upgrading to LED lamps can reduce energy usage by up to eighty percent (80%).<sup>5</sup> Research also indicates that LEDs provide superior lighting inasmuch as they produce more light output per unit of energy than other forms of lighting.<sup>6</sup> They also typically have longer lives, lasting between twelve (12) to twenty-three (23) years.<sup>7</sup> Further, LEDs provide these additional advantages: provide even light distribution, resulting in fewer hotspots and dark areas, and therefore improve driver safety; provide instant illumination with no warm-up time, and can better withstand physical shocks that would normally shatter conventional lamps; last for decades; offer silent operation with no humming; and have no ultraviolet or infrared radiation, to list a few.<sup>8</sup>

Therefore, based on the record before the Commission, the ALJ recommended that the PUC approve the LED Streetlight Tariff rates, as proposed by GPA, and therefore approve the proposed amendments to GPA's Schedules "F" and "H."

The Commission hereby adopts the findings contained in the October 26, 2016 ALJ Report and, therefore, issues the following:

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<sup>5</sup> Tim Stearns, "A Guide to Municipal Street Lighting Upgrades," <http://www.efficiencysmart.org/Media/Documents/Publications/Street%20Lighting%20Guide%20FINAL.pdf>, p. 1 (last accessed Oct. 25, 2016).

<sup>6</sup> *Id.* at 2.

<sup>7</sup> *Id.* at 2.

<sup>8</sup> *Id.* at 3.



### **ORDERING PROVISIONS**

After careful review and consideration of the above determinations, the October 26, 2016 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 GPA's February 3, 2016 Petition to establish an LED Streetlight Tariff is GRANTED.

2. That GPA is therefore authorized to assess the new LED Streetlight Tariff rates, as indicated in the proposed amendments to Schedule F and Schedule H, filed with the PUC on February 3, 2016, effective November 1, 2016.

3. That GPA 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.

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/ /

**SO ORDERED** this 27<sup>th</sup> day of October, 2016.

  
**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



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 and to proceed with implementation of the Integrated Resource Plan (IRP).<sup>1</sup>
2. GPA requests: (1) approval to procure 180 megawatts of dual fired Combined Cycle generation plant; (2) approval to procure new engineering and technical consulting services to include procurement, contracting, construction and commissioning support for up to a 180MW combined cycle power plant located in the Harmon area (to be funded by the 2014 bond funds); and (3) authorization to retire the Cabras 1 & 2 Steam Plants no later than July 1, 2021.<sup>2</sup>

BACKGROUND

3. On August 21, 2015, PUC Consultant Lummus issued its Report: Review of GPA Petition to Acquire up to 180MW of New Combined Cycle Capacity, in Docket 15-05.<sup>3</sup> Lummus found, *inter alia*, that GPA had not justified the addition of new generation by demonstrating that additional generation resources were needed to meet the existing load.<sup>4</sup>
4. On August 31, 2015, GPA experienced a major failure of the Cabras Nos. 3 & 4 Power Plants when an explosion and fire occurred.<sup>5</sup> The explosion resulted in the loss of 78MW of base load capacity.<sup>6</sup>

<sup>1</sup> GPA Petition for Approval of Procurement of New Generation Combined Cycle Units, GPA Docket 15-05, filed July 14, 2016.

<sup>2</sup> Id.

<sup>3</sup> Lummus Consultants INT'L Report: Review of GPA Petition to Acquire up to 180MW New Combined Cycle Capacity in Docket 15-05, submitted on August 21, 2015.

<sup>4</sup> Id.

<sup>5</sup> GPA Petition for Approval of Procurement of the Temporary Power Generation Services, GPA Docket 15-18, filed September 17, 2015.

<sup>6</sup> Id.

5. In its Order dated October 29, 2015, the PUC noted that GPA had not submitted any response in the docket to the August 21, 2015 Lummus Report. The Ordering Provisions required GPA to provide numerous items of information to justify a request for new generation.<sup>7</sup>
6. In its proposed plan, GPA was required: (1) to include an evaluation of whether Cabras 3 and/or 4 could be returned to service, and if so, when; (2) to provide a Third Party Condition Assessment of the Cabras 1 & 2 plants and Life Extension Study; (3) to base its plan for new generation on the Independent Power Producer Model; (4) to provide an analysis of the customer rate impacts from the decision to procure the proposed new generation capacity; and (5) to consider a more gradual replacement of the base load generating assets.<sup>8</sup>
7. Approximately nine months later, GPA filed its "REVISED PETITION FOR CONTRACT REVIEW AND GPA RESPONSE TO PUC ORDER."<sup>9</sup> Along with its Petition, GPA filed extensive documentation addressing the questions raised by Lummus regarding generation and the Integrated Resource Plan. GPA's responses are detailed and comprehensive.
8. In addition, GPA filed an Update by the Consolidated Commission on Utilities on the Integrated Resource Plan, dated May 24, 2016.<sup>10</sup>
9. The key recommendations of the IRP are to procure up to 180MW combined cycle units, obtain an Engineering, Procurement, and Construction Management (EPCM) contract, to retire the Cabras plants, and to convert MEC 8 & 9 to ULSD under the IPP capitalization model.<sup>11</sup> There is an analysis of the potential rate impact on the ratepayers, and a discussion of the demand side management program.
10. On October 4, 5, and 6, 2016, the Administrative Law Judge conducted public hearings on GPA's new generation request in Agana, Dededo, and Agat respectively. The purpose of the hearings was to solicit public comment and testimony. All of the testimony supported the procurement by GPA of at least some new combined cycle generation capacity.

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<sup>7</sup> PUC Order, New Generation Combined Cycle Units, GPA Docket 15-05, dated October 29, 2015, at p. 5.

<sup>8</sup> Id.

<sup>9</sup> GPA Revised Petition for Contract Review and GPA Response to PUC Order, GPA Docket 15-05, filed July 14, 2016.

<sup>10</sup> CCU UPDATE, INTEGRATED RESOURCE PLAN, dated May 24, 2016.

<sup>11</sup> Id.



11. The ALJ filed his Report herein dated October 21, 2016. The PUC adopts the Report and the recommendations contained therein.<sup>12</sup>

### DETERMINATIONS

#### GPA HAS JUSTIFIED THE NEED TO PROCURE NEW GENERATION CAPACITY:

12. The loss of Cabras Plant Nos. 3 & 4 has resulted in the reduction of base load by 78MW. Cabras No. 4 is inoperable; no final determination has been made on the future of Cabras No. 3. GPA's IRP does not rely upon the continued use of Cabras No. 3. There is a reasonable assumption that Cabras No. 3 will not be available to GPA as a base load unit in the foreseeable future.
13. In a Life Extension Study on the Condition of GPA's present generators, including the base loads, GPA's consultant Leidos characterizes the condition of Cabras 3 & 4, even before the explosion, as "poor." It is reasonable to question whether, given the damage to Cabras 3 caused by the explosion, it would make sense to invest insurance settlement proceeds in restoring such plant rather than investing in new plants.
14. According to its CCU updated IRP, dated May 24, 2016, GPA's current plan is to retire the Cabras No. 1 & 2 Steam Plant (132MW) no later than July 1, 2021.
15. The PUC need not, at present approve a specific retirement date for the Cabras Nos. 1 & 2 plants. However, the age of such plants, and their present condition, suggest that their useful life will not likely extend beyond the projected five year period.
16. Consultant Leidos indicates that the Cabras 1 & 2 plants have been in operation for over 40 years. It concludes: "Based on our review, the current condition of the Cabras Plant and the current applicable environmental regulations in place, Leidos is of the opinion that **the Cabras Plant is at the end of its useful life.**"
17. According to Leidos, the maintenance costs for Cabras No. 1 & 2, on top of the normal O&M costs, will total nearly \$10 million per unit from 2017 through 2021. After 2021, the plant would require continued investments of approximately \$2M per unit annually on top of routine O&M costs.
18. Thus, assuming that the Cabras No. 1 & 2 plants are not available after 2021, there would be a total base load loss (including Cabras 3 & 4) of 200MW of capacity.

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<sup>12</sup> ALJ Report, GPA Docket 15-05, dated October 21, 2016.

19. The Energy and Peak Forecast (Base) indicates that the present system peak of 258MW could increase to 291.7MW by 2035. The potential increase in energy demand also may justify procurement of new base load units.
20. GPA has also sought to justify its new generation based on the need to comply with USEPA regulations regarding the RICE MACT and EGU MACT Rules. GPA further contends that its new generation plans will be in compliance with the USEPA Regulations. GPA has agreed to present any proposed consent decree with USEPA in advance of entering into such decree. PUC can more fully review GPA's compliance plans when formally presented to the PUC.
21. It is evident that GPA will need to replace base load generation; it has established the need to procure additional generation capacity.

GIVEN THAT THERE IS AN INCREASED NEED FOR BASE LOAD CAPACITY, GPA HAS OFFERED SUFFICIENT JUSTIFICATION TO PROCURE A NEW GENERATION COMBINED CYCLE PLANT OF 180MW:

22. GPA's Petition and its IRP generally request approval for procurement of "up to 180MW" of combined cycle generation.
23. An argument could be made that GPA does not need a 180MW plant operation, but that some lesser generation capacity plant(s) would suffice.
24. In his testimony, Jeff Voacolo of Micronesia Renewable Energy Inc. indicates his belief that a smaller plant, perhaps 60MW or 100MW, would be sufficient. There could be substantial developments regarding renewable energy, such as advancements in battery storage that would make renewable energy a more viable alternative within the next few years.
25. GPA also has standby/reserve generation capacity of 168MW; this is primarily comprised of combustion turbine units and fast track generators. GPA has, in recent months, expended a considerable amount of funds to bring certain generators back online (Macheche CT, \$2.7M; Yigo CT, \$2.3M; Expenditure Repairs for the Dededo CT 1 & 2 from 2017 through 2022 are estimated to be \$17M to operate and repair said plants).
26. It could also be argued that GPA could possibly reduce the size of its new combined cycle generation plant based upon the availability of the additional standby reserves.



27. A reduction from 180MW to, for example, 160MW or 140MW, would have a considerable impact upon rates that ratepayers will ultimately have to pay.
28. GPA has admitted that, with smaller plants, it may be able to function with a smaller reserve capacity, which could reduce the need for the full 180MW.
29. Leidos, GPA's own consultant, basically finds that GPA failed to properly maintain the base loads or the combustion turbines. Leidos finds that all such plants are in poor condition. However, MEC 8 & 9, which are privately operated by an IPP, are found to be in "good" condition. Had the GPA plants been properly maintained, Leidos indicates they could have been used for another 20 years.
30. The basic reason why GPA needs 180 MW of new generation capacity appears to be that it failed to properly maintain and service its existing plants.
31. Nevertheless, given the present situation, GPA's position that there is a need for 180MW of new capacity is within the bounds of reason and not contrary to logic. It may be arguable whether GPA needs 180MW, or whether a lesser amount would do. However, as GM Benavente pointed out, the responsibility for keeping the lights on is placed upon his shoulders. When GPA retires the Cabras 1 & 2 plants, it will have lost up to 200 total megawatts. It is not unreasonable to suggest that GPA should be able to procure 180MW to replace the 200MW lost.
32. Furthermore, at this stage of the process, GPA is only requesting procurement authorization for "up to 180MW". PUC will have a further opportunity for review, upon submission by GPA, of the actual procurement, and upon review of the final award, to determine the appropriate amount of megawatts needed for the combined cycle plant.
33. At present, there has been no showing that renewable energy is reliable or stable enough to provide reliable base load generation for Guam. GPA presently estimates that it would cost \$320M to provide full time, effective and reliable solar power from the Dan Dan Plant through battery storage. That situation could change in the future. Renewable energy could become viable as a 24/7 base load option before the end of the useful life of any combined cycle units purchased. However, it is pure speculation to suggest when renewable energy will be a viable alternative to base load fossil fuel generation.

34. Also, if renewable energy did become reliable and available during the 30 year IPP Contract, GPA could use the combined cycle units as peaking units and possibly retire the other peaking units.

GPA SHOULD BE AUTHORIZED TO PROCURE ENGINEERING, PROCUREMENT, AND CONSTRUCTION CONTRACTOR SUPPORT FOR A NEW COMBINED CYCLE PLANT:

35. GPA is seeking PUC approval for its engineering, procurement, and construction management contractor (EPCM). The purpose of such contractor would be to assist GPA in the development of the procurement for new generation and the construction of a plant with characteristics best suited to GPA's needs.
36. In this Docket, GPA previously made a request in May 2015 to expend 2014 Bond Funds, in the amount of \$750,000, for procurement of engineering and technical consulting services relative to the 180MW combined cycle power plant.
37. However, in its May 28, 2015 Order, the PUC denied GPA's request for an EPCM, on the ground that a proposed 180MW combined cycle plant had not yet been approved by the PUC.
38. Since the PUC is approving the procurement of a new combined cycle plant, GPA's request for \$750,000 for the specified engineering and technical consulting services should also be approved.
39. The process of procurement for the combined cycle plant, as well as various proposed aspects of GPA's IRP plan, will require expert consulting services. It stands to reason that GPA needs the services of a highly specialized consultant to carry out a project of this scope and magnitude.
40. The requested engineering and technical consulting services will be funded from the 2014 bonds. Previously, the PUC held in GPA Docket 13-14 that it was appropriate to fund projects that relate to GPA's new generation facilities and fuel conversion from the LNG Initial Start Up Budget.
41. In 2014 GPA Bond Issuance, there were funds originally allocated for "LNG Initial Start Up" in the amount \$3M.



42. GM Benavente confirmed at the Public Hearing on October 4 that there are still remaining funds from the \$3M that can be used to cover the \$750,000 expense for the EPCM.
43. GPA should be authorized to expend \$750,000 for engineering and consulting services relative to the new combined cycle plant, such funds to be paid from the 2014 Bond Funds allocation for LNG Initial Start Up. Such expenditure is reasonable, prudent and necessary.

GPA'S PROCUREMENT WILL CAUSE A RATE IMPACT UPON THE RATEPAYERS:

44. A major concern with regard to GPA's proposal to procure 180MW of combined cycle plant is the potential impact of such procurement upon the ratepayers of Guam.
45. In its May 24, 2016 Update to the IRP, GPA has provide "estimates" as to rate impact from its proposed procurement. It has developed both "High and Low Capital of Cost Estimates" for insurance settlements of \$100M Proceeds and \$150M Proceeds (FOR THE Cabras 3 & 4 Claim).
46. At present whether there will be a settlement or the amount of such proceeds is unknown. If there is a settlement relative to the Cabras 3 & 4 Claim, the proceeds derived, or a portion thereof, could be applied to new generation costs. Under the "High Capital Cost Estimate", with a \$100M insurance settlement, GPA anticipates that there would be an impact on the total ratepayer bill, between 2024 and 2026, in the amount of 6.8%. The impact on Base Rates for that three year period would be 19.7%.
47. This "estimate" is rough and not necessarily accurate. With so many variables regarding the claim settlement, it is very difficult to predict how much cash will be available for the new generation costs.
48. Whether settlement funds will in any manor be tied to the repair of the Cabras 3 is also unknown.
49. Furthermore, GPA's cost estimates of rate impact with the procurement of a 180MW plant is, in part, based upon Bond "restructuring" plans, and plans for issuance of a new 30 year bond. Neither of these options has yet been approved by the PUC.

50. However, GPA did give a reasonable explanation of how the cost for the procurement would be paid at the Public Hearing on October 4, 2016. GPA indicated that the "New Resource Cost" for the IPP partner for construction of the 180MW combined cycle plant would be roughly \$424M. This is the cost paid by the IPP for the new generation.
51. GPA would be reimbursing such cost to the IPP through payments for the power produced over a 30 year period. Chairman Duenas estimated that the price for the power purchased from the IPP over the 30 year period would be \$.0438 per KWH. This cost compares favorably with the current purchase rate for power produced for GPA from MEC 8 & 9, which is \$.0485 per KWH.
52. GPA will not have to pay the "New Resources Cost" upfront, but will make payments on such amount over the 30 year period for purchase of energy production.
53. There will be additional costs for "New Resource Land, Interconnection and Fuel Piping Costs" in the amount of \$93,562,000. These include a Transmission Line cost in the amount of \$60,203,000, Fuel Piping in the amount of \$21,218,000 and Land Purchase Price in the amount of \$12,141,000. These costs all involve location of the proposed site for the plant in Harmon.
54. GPA is hopeful that insurance settlement proceeds from the Cabras 3 & 4 explosion will assist in paying off the costs in the amount of \$93,562,000.
55. As a part of GPA's plan, there are also "Life Extension Costs" to support Cabras 1 & 2 over the next five years, as well as continuing PMC costs and O & M costs for the combustion turbines and fast track generators. The total cost over the five year period is estimated to be in the range of \$83M. GPA intends to pay these costs primarily through revenue funds.
56. At present it does appear that GPA has a plan to minimize the rate impact upon ratepayers from the procurement of the 180MW combined cycle plant. Both GM Benavente and Chairman Duenas stated that there are cost cutting and savings initiatives which will result from the addition of this new plant that can minimize the rate impact upon GPA customers. GPA has promised to minimize such rate impact by any means available.

CONDITIONS SHOULD BE IMPOSED UPON GPA'S PROCURMENT  
AUTHORIZATION FOR THE COMBINED CYCLE PLANT AND THE IRP:



57. This Order only addresses the issues specifically referenced herein. It does not authorize aspects of the IRP that are not specifically addressed. However, other issues, including the appropriate date for the retirement of the Cabras 1 & 2 plants, and approval of other aspects of the IRP, can be deferred to a later time.
58. Any plan for proceeding ahead with LNG at the present time is disapproved. GPA has not demonstrated that such plan is economically viable.
59. In its IRP, GPA has referred to a number of plans by which GPA would participate in the funding and/or ownership of certain aspects of the proposed plant. Those references include "IPP Model with GPA financing", "Issuance of New 30 Year Bonds", "Finance and Lease of Equipment to IPP", and "Restructure/Refund" of GPA bonds. None of these plans have been justified to date. They are not approved at the present time.

#### **ORDERING PROVISIONS**

After review of the record herein, GPA's Petition for Approval of Procurement of New Generation Combined Cycle Units and to Proceed with Implementation of the Integrated Resource Plan (IRP), and the ALJ Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

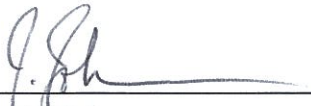
1. GPA is authorized to procure a combined cycle plant of up to 180MW. Before such procurement is issued by GPA, it should be first reviewed and approved by the PUC.
2. GPA's plan for up to 180MW of new combined cycle generation capacity shall be based upon the Independent Power Producer (IPP) Model as a Build Operate Transfer (BOT), similar to MEC 8 & 9, rather than upon ownership by GPA.
3. GPA is authorized to procure an Engineering Procurement and Construction Management contractor for a new combined cycle plant, and is authorized to expend \$750,000 for such engineering and consulting services, to be paid from the 2014 bond fund allocation for LNG Initial Startup.
4. GPA plans for bond financing, restructuring, or financing/leasing for the IPP are disapproved at the present time.


5. GPA's procurement authorization for the new combined cycle plant is conditioned upon the restrictions and limitations set forth in the DETERMINATIONS section of this Order.
6. The PUC reserves the right to further consider the issue of whether 180MW should be the proposed capacity of the new plant, or whether a lesser capacity would suffice, upon GPA's submission of the procurement for approval. This issue may be further reviewed upon submission of the final proposed procurement award to the PUC.
7. GPA shall retire Cabras 1 & 2 upon commission of the new generation combined cycle plants.
8. The PUC retains jurisdiction herein to make any further review of any and all aspects of the IRP.
7. When GPA submits the new generation procurement to PUC for approval, it shall also provide a fully updated and comprehensive rate impact study.
8. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.



Order  
New Generation  
Combined Cycle Units  
GPA Docket 15-05  
October 27, 2016

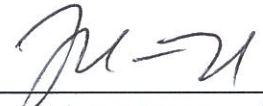
Dated this 27th day of October, 2016.


  
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Jeffrey C. Johnson  
Chairman

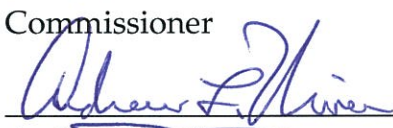
  
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Rowena E. Perez  
Commissioner

  
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Michael A. Pangelinan  
Commissioner

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Filomena M. Cantoria  
Commissioner

  
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Joseph M. McDonald  
Commissioner

  
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Peter Montinola  
Commissioner

  
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Andrew L. Niven  
Commissioner



**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF: ) GPA Docket 17-01  
 ) GWA Docket 17-01  
The Application of the Guam Power )  
Authority to Approve the SCADA System ) **ORDER**  
Contract with Benson Guam Enterprises, )  
Inc. (Benson) )  
\_\_\_\_\_ )

**INTRODUCTION**

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of Guam Power Authority ["GPA"] for Approval of the Supervisory Control and Data Acquisition System ["SCADA"] Contract with Benson Guam Enterprises, Inc. ["Benson"].<sup>1</sup>
2. Both GPA and GWA are requesting approval of the contract for their SCADA systems.

**BACKGROUND**

3. On April 28, 2015, GPA issued Multi-Step Bid Invitation No. GPA-066-16 for a Supervisory Control and Data Acquisition ["SCADA"] system.<sup>2</sup> The IFB invited qualified firms to participate in a Multi-Step Bid for a SCADA system for both the Guam Power Authority and the Guam Waterworks Authority.<sup>3</sup>
4. The bid sought a SCADA system that would run both Power SCADA and Water and Wastewater SCADA on a common platform.<sup>4</sup>
5. For GPA, the purpose of the project is to replace GPA's existing Siemens Power TG EMSYS Energy Management (SCADA) System, which has been in operation since 2006.<sup>5</sup>

<sup>1</sup> GPA Petition to Approve the SCADA System Contract with Benson Guam Enterprises, Inc., GPA Docket 17-01 and GWA Docket 17-01, filed October 10, 2016.

<sup>2</sup> GPA Invitation for Multi-Step Bid (IFB) No. GPA-066-16, filed by GPA herein on October 12, 2016.

<sup>3</sup> Id. at p. 11.

<sup>4</sup> GPA Petition to Approve the SCADA System Contract with Benson Guam Enterprises, Inc., GPA Docket 17-01 and GWA Docket 17-01, filed October 10, 2016, at p. 1.

<sup>5</sup> Issues for Decision, GPA Resolution No. 2016-48 and GWA Resolution No. 60-FY2016 (SCADA), provided to the CCU in the Board Packet for the September 27, 2016 Regular Meeting.



6. For GWA, the project objective is to provide GWA with a water and wastewater SCADA system to manage its water and wastewater operations in a safe, reliable, responsible and cost effective manner. GWA anticipates that it will integrate approximately sixty (60) SCADA-ready water and wastewater facilities by 2018 with remaining facilities planned and added as funding becomes available.<sup>6</sup>
7. The new SCADA master station equipment will be installed primarily on the second and third floors of the Gloria B. Nelson Public Service Administration Building.
8. PUC Counsel filed his Report herein dated October 24, 2016. The Report explains the functions of the SCADA system in some detail. Such explanation is incorporated herein by reference.<sup>7</sup>
9. In general terms, a SCADA system provides remote telemetry and control to the substations and GPA plants, and to the GWA facilities.<sup>8</sup>
10. The SCADA system provides supervisory control to and data acquisition from the GPA and GWA facilities that are connected to the system.<sup>9</sup>
11. Advanced applications for GPA include Automatic Generation Control (AGC), Dispatcher Power Flow (DPF), Switch Order Management (SWOM), and Load Shedding and Restoration (LSR).<sup>10</sup>
12. For GWA, advanced applications include Leak Detection Management, Pump Condition Monitoring, and Sequential Control Capability.<sup>11</sup>
13. The new system will process and utilize real-time data acquired from remote terminal units (RTU's).<sup>12</sup>
14. The supervisory control capabilities allow for the performance of supervisory control operations at any of the remote terminal units or programmable logic controllers.<sup>13</sup>

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<sup>6</sup> Id.

<sup>7</sup> GPA Invitation for Multi-Step Bid (IFB) No. GPA-066-16, filed by GPA herein on October 12, 2016, at p. 68.

<sup>8</sup> Id. at p. 75.

<sup>9</sup> Id. at pgs. 108-109.

<sup>10</sup> Id. at p. 109.

<sup>11</sup> Id.

<sup>12</sup> Id. at p. 111.

<sup>13</sup> Id at p. 117.

15. There were only two bidders in response to the IFB.<sup>14</sup> The GPWA Bid Committee, upon the evaluations of technical and price bid proposals accepted under Step One and Step Two of the multi-step bid process, determined that Benson Guam Enterprises, Inc. was the lowest responsive and responsible bidder that met all of the requirements set forth in the Multi-Step Bid GPA-066-16.<sup>15</sup>
16. The total cost of the SCADA System Contract with Benson Guam Enterprises, Inc. is the amount of \$1,951,474; GPA's share is \$1,518,769 and GWA's share is \$432,705.<sup>16</sup>
17. GPA's share of the cost will be paid from the 2014 Bond Proceeds<sup>17</sup>; the PUC Order in GPA Docket 14-09, dated December 1, 2014, approved GPA's request to expend \$1,800,000 for the Fadian SCADA system.<sup>18</sup>
18. GWA's share of the total will be paid from GWA's 2016 Bond under CIP Line Item EE 09-08 SCADA Improvements-Phase 3.<sup>19</sup>
19. On September 27, 2016, the CCU approved the request of GPA and GWA to enter into a contract with Benson Guam Enterprises, Inc. for the total amount of \$1,951,477.00 for the design and installation of a SCADA System.<sup>20</sup>

### DETERMINATIONS

20. With the IFB, GPA has provided a standard form contract in accordance with which Benson will design and implement the SCADA System. The contract includes detailed specifications and should be adequate to protect the interests of GPA, GWA

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<sup>14</sup> GPA Petition to Approve the SCADA System Contract with Benson Guam Enterprises, Inc., GPA Docket 17-01 and GWA Docket 17-01, filed October 10, 2016, at p. 1.

<sup>15</sup> Guam Consolidated Commission on Utilities GPA Resolution No. 2016-48 and GWA Resolution No. 60-FY2016 (SCADA), Authorizing Management of Guam Power Authority (GPA) and Management of Guam Waterworks Authority (GWA) to Enter into a Contract with Benson Guam Enterprises, Inc. for the Design and Installation of the Supervisory Control and Data Acquisition (SCADA) System, adopted September 27, 2016, at p. 2; see also Exhibit A thereto.

<sup>16</sup> Id at p. 2.

<sup>17</sup> Id.

<sup>18</sup> PUC Order, GPA Docket 14-09, dated December 1, 2014, at p. 3.

<sup>19</sup> <sup>19</sup> Guam Consolidated Commission on Utilities GPA Resolution No. 2016-48 and GWA Resolution No. 60-FY2016 (SCADA), Authorizing Management of Guam Power Authority (GPA) and Management of Guam Waterworks Authority (GWA) to Enter into a Contract with Benson Guam Enterprises, Inc. for the Design and Installation of the Supervisory Control and Data Acquisition (SCADA) System, adopted September 27, 2016, at p. 2; see also Exhibit A thereto, at p. 2.

<sup>20</sup> Id at p. 3.



and their ratepayers. The contract contains indemnification, insurance, and warranty provisions.

21. GPA's present SCADA System is over 10 years old; the new system should be more compatible with GPA's updated communications and smart grid systems.
22. GWA previously prepared its Master Plan for the implementation of a SCADA System. Since GWA does not have such a system at present, the implementation of a SCADA system should assist the upgrading and increased efficiency of its operations.
23. The system should be completed by the end of 365 days from Benson Guam Enterprises, Inc.'s receipt date of GPWA's Notice to proceed, as stipulated in the bid documents.<sup>21</sup>
24. The SCADA system will improve the ability of both GPA and GWA to monitor and control the electric power grid and the water and wastewater utility system.
25. GPA anticipates that it will place 10 or more additional new renewable energy facilities and a 40MW Energy Storage System at the Agana Substation on SCADA.<sup>22</sup> The SCADA system will also assist both GPA and GWA in implementing their Cyber Security Plan and Policies.<sup>23</sup>
26. For the foregoing reasons, GPA and GWA have demonstrated that the implementation of the SCADA System and the contract with Benson Guam Enterprises, Inc. are reasonable, prudent and necessary.

### **ORDERING PROVISIONS**

After review of the record herein, GPA's Petition for Approval of the SCADA System Contract with Benson Guam Enterprises Inc., 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:

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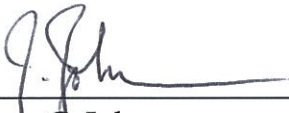
<sup>21</sup> Guam Consolidated Commission on Utilities GPA Resolution No. 2016-48 and GWA Resolution No. 60-FY2016 (SCADA), Authorizing Management of Guam Power Authority (GPA) and Management of Guam Waterworks Authority (GWA) to Enter into a Contract with Benson Guam Enterprises, Inc. for the Design and Installation of the Supervisory Control and Data Acquisition (SCADA) System, adopted September 27, 2016, at p. 2; see also Exhibit A thereto, at p. 2.

<sup>22</sup> GPA Invitation for Multi-Step Bid (IFB) No. GPA-066-16, filed by GPA herein on October 12, 2016, volume II, at p. 71.

<sup>23</sup> Id. at p. 72.

1. GPA and GWA are authorized to enter into the SCADA System Contract with Benson Guam Enterprises, Inc.
2. The total amount of \$1,951,474 is authorized for such Contract, with the GPA share at \$1,518,769 and the GWA share at \$432,705.
3. The source of funds for the Contract for both GPA and GWA is bond funds.
4. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

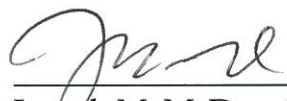
Dated this 27th day of October, 2016.

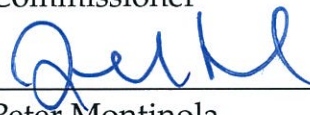
  
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Jeffrey C. Johnson  
Chairman

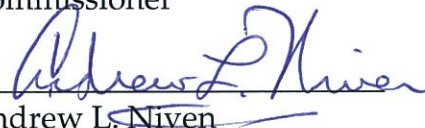
  
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Rowena E. Perez  
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Filomena M. Cantoria  
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Joseph M. McDonald  
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Peter Montinola  
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Andrew L. Niven  
Commissioner



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF: )

GPA DOCKET 17-02 )

The Application of the Guam Power )  
Authority for Approving the Contract )  
with TEMES, Inc. for Cabras 1 Overhaul. )

ORDER )

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] for Approval of the Contract with TEMES, Inc., for Cabras 1 Overhaul.<sup>1</sup>

BACKGROUND

2. GPA's presently has a Performance Management Contract with Taiwan Electrical and Mechanical Engineering Services, Inc. ("TEMES") for Cabras 1 & 2.<sup>2</sup>
3. The Cabras Unit 1 is scheduled for its next overhaul in July of 2017; this overhaul is expected to last 50 days. The period of the outage schedule will be from July 15, 2017 through September 3, 2017.<sup>3</sup>
4. The PMC TEMES has recommended the overhaul of Cabras Unit 1 to restore reliability and availability of plant equipment, restore plant efficiency, and support economic dispatching of the generation system.<sup>4</sup>
5. The key items designated for overhaul include the main steam turbine generator, archway tubes, burner front system and flame detectors, and air preheaters.<sup>5</sup>
6. The total overhaul cost is anticipated to be \$5,490,000. The project will be programmed under revenue funds. The Breakdown of Cost is set forth in Attachment 1 hereto.<sup>6</sup>

<sup>1</sup> GPA Petition for Approval of the Contract with TEMES, Inc., for Cabras 1 Overhaul, GPA Docket 17-02, filed October 7, 2016.

<sup>2</sup> Id.

<sup>3</sup> Guam Consolidated Commission on Utilities Resolution No. 2016-49, Relative to Authorizing the Guam Power Authority to seek Approval from the PUC to Proceed with the Cabras Unit 1 Major Overhaul, adopted September 27, 2016, at p. 1.

<sup>4</sup> Id.

<sup>5</sup> Id.

7. For the overhaul, Cabras Unit 1 Air Preheater Baskets, Archway Tubes, and Inlet Vane Control Assembly have been identified for replacement.<sup>7</sup>
8. Lead times for product delivery and materials needed for replacement are between 20 and 36 weeks.<sup>8</sup> For that reason, GPA intends to issue a notice to proceed to TEMES for the early procurement of the materials needed for the overhaul so that they will be available in time for the July 2017 overhaul.
9. The Guam Consolidated Commission on Utilities, in Resolution 2016-49, approved GPA's request to contract for the generator overhaul of Cabras 1 through the PMC, TEMES, Inc., in the amount of \$5,490,000, using revenue funds.<sup>9</sup>

### **DETERMINATIONS**

10. The last major overhaul of the Cabras Unit 1 was completed in December 2013. This unit has been in operation for 33 months without a major overhaul. It will have been running for 40 months before the scheduled overhaul in July 2017.<sup>10</sup>
11. GPA has submitted a Cost-Benefit Analysis for the Cabras Unit 1 Major Overhaul.<sup>11</sup>
12. In general, GPA performs overhauls every 18-24 months in order to restore plant efficiency, reliability and availability.<sup>12</sup>
13. The overhaul of Cabras Unit #1 was scheduled for late 2015; however, it was postponed due to the unexpected explosion of Cabras Units 3 & 4. Since it is been nearly three years since the last major overhaul, GPA can expect an increase in occurrences of boiler tube leaks, derating of the unit, and mechanical equipment failure.<sup>13</sup>

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<sup>6</sup> Id.; see Attachment "1" hereto (which is also attached to CCU Resolution No. 2016-49).

<sup>7</sup> Guam Consolidated Commission on Utilities Resolution No. 2016-50, Relative to Authorizing the Management of Guam Power Authority to Issue the PMC a Notice to Proceed for Early Material Procurement for the Cabras Unit 1 Major Overhaul, adopted September 27, 2016, at p. 1.

<sup>8</sup> Id.

<sup>9</sup> Guam Consolidated Commission on Utilities Resolution No. 2016-49, Relative to Authorizing the Guam Power Authority to seek Approval from the PUC to Proceed with the Cabras Unit 1 Major Overhaul, adopted September 27, 2016, at p. 2.

<sup>10</sup> Guam Consolidated Commission on Utilities Resolution No. 2016-49, *supra*, adopted September 27, 2016, at p. 1.

<sup>11</sup> Cabras Unit 1 Major Overhaul, Cost-Benefit Analysis, attached to GPA's Petition.

<sup>12</sup> Id.

<sup>13</sup> Id.



14. GPA finds that the benefits of the overhaul outweigh the cost. The justification is that: "Completion of the Cabras 1 major overhaul will ensure availability, restore efficiency, and improve reliability of the unit... this overhaul is necessary to minimize boiler tube leaks and derating of the unit in the near future."<sup>14</sup>
15. The Cabras 1 unit is essential to the island wide power system, and the contract is reasonable, prudent and necessary.<sup>15</sup>
16. The PUC has been aware that GPA planned to undertake a major overhaul of the Cabras 1 plant. In GPA's FY2017 Capital Improvement Ceiling Cap, GPA included \$5,190,000 for the Cabras 1 overhaul, and indicated that GPA would be presenting a petition to the PUC for approval.<sup>16</sup> A substantial portion of the Cabras 1 overhaul cost is included in the FY2017 CIP Budget.

### **ORDERING PROVISIONS**

After review of the record herein, GPA's Petition for Approval of the Contract with TEMES, Inc., for Cabras 1 Overhaul, and the PUC Counsel Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission HEREBY ORDERS that:

1. The Cabras 1 overhaul is approved, as requested in GPA's Petition.
2. The funding source proposed by GPA for the Cabras #1 overhaul, revenue funds, is approved in the amount of \$5,490,000.
3. GPA is authorized to proceed with the Cabras 1 planned overhaul work as set forth in the Cabras Unit 1 Major Overhaul Cost-Benefit Analysis and Attachment 1.
4. GPA should also be authorized to issue a notice to proceed to TEMES for the early procurement of Cabras Unit 1 Air Preheater Baskets Archway Tubes, Inlet Vane Control Assembly, and Burner Front System materials.

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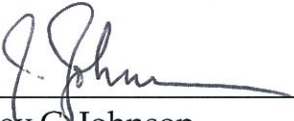
<sup>14</sup> Cabras Unit 1 Major Overhaul, Cost-Benefit Analysis, attached to GPA's Petition

<sup>15</sup> GPA Petition for Approval of the Contract with TEMES, Inc., for Cabras 1 Overhaul, GPA Docket, 17-02, filed October 7, 2016, at p. 2.

<sup>16</sup> PUC Order, GPA Docket 16-13, GPA Request to Approve FY2017 CIP Ceiling Cap, dated September 29, 2016, at p. 2.

5. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

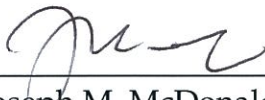
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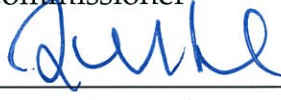
  
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Jeffrey C. Johnson  
Chairman

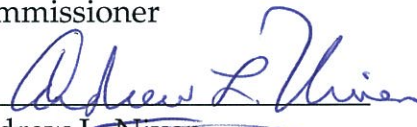
  
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Andrew L. Niven  
Commissioner



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF: ) GPA Docket 17-03  
)  
The Application of the Guam Power )  
Authority for Approval of the Overhaul of ) **ORDER**  
the Diesel Peaking Units. )  
)  
\_\_\_\_\_ )

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] for Approval of the Overhaul of the Diesel Peaking Units.<sup>1</sup>

BACKGROUND

2. GPA has 10 Peaking Units located at Tenjo Vista, Talofofo, and Manenggon with a total capacity of 45.8MW. These units were installed in 1993.<sup>2</sup>
3. GPA submits that major engine overhaul of eight (8) stationary Caterpillar Diesel Engines located at Tenjo Vista and Talofofo Diesel Power Plants, and two (2) stationary Wartsila Diesel Engines located at Manenggon Diesel Power Plant are required.<sup>3</sup>
4. The 10 units are in need of major overhauls to ensure unit availability and to restore design efficiency. The total major overhaul cost is expected to be \$7,800,000 (\$780,000 per unit).<sup>4</sup>
5. The breakdown of the anticipated cost is as follows:

Engineering/Construction Management	\$ 390,000.00
Equipment/Materials	\$5,070,000.00

<sup>1</sup> GPA Petition for Approval of the Overhaul Diesel Peaking Units, GPA Docket 17-03, filed October 7, 2016.

<sup>2</sup> Id. at p. 1.

<sup>3</sup> Issues for Decision on CCU Resolution No. 2016-51, attached to the Board Packet for the CCU September 27, 2016 Regular Meeting.

<sup>4</sup> GPA Petition for Approval of the Overhaul Diesel Peaking Units, GPA Docket 17-03, filed October 7, 2016, at p. 1.

Contract Labor/Equipment

\$2,340,000.00

**Total** \$7,800,000.00<sup>5</sup>

6. The Guam Consolidated Commission on Utilities Resolution No. 2016-51 authorized GPA's request to petition the PUC for approval to proceed with utilizing revenue funds to finance major maintenance and overhaul work for Peaking Diesel Units located at Tenjo, Talofofo, and Manenggon power plants.<sup>6</sup>
7. The work is proposed to be performed over a 3-year contract, to be programed under revenue funds for each fiscal year that the contract is in place.<sup>7</sup>

### DETERMINATIONS

8. GPA previously advised the PUC in its Request for Approval of the FY2017 GPA CIP Ceiling Cap that it intended to work on 10 Diesel Plant Unit Overhauls in the amount of \$2,593,300 in FY2017.<sup>8</sup>
9. The PUC approved the CIP Ceiling Cap, which included expenditures for the 10 Diesel Plant Unit Overhauls, but required GPA to seek approval from the PUC under the Contract Review Protocol before expending amounts for such overhaul.<sup>9</sup>
10. GPA intends to issue an IFB for performance of the overhaul work. It is a two-step bid (technical qualifications and price). GPA has also provided a standard form contract with its Petition. The IFB provides a detailed scope of work for each unit.<sup>10</sup>
11. The selected contractor will provide all labor, supervision, administration and management, supply of all equipment, and materials and consumables necessary to perform the services in accordance with the specifications and other contract documents.<sup>11</sup>

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<sup>5</sup> Issues for Decision on CCU Resolution No. 2016-51, attached to the Board Packet for the CCU September 27, 2016 Regular Meeting.

<sup>6</sup> CCU Resolution No. 2016-51, Authorizing the Guam Power Authority to Seek Approval from the PUC for the Peaking Diesel Units Major Overhaul Project, approved on September 27, 2016.

<sup>7</sup> Id.

<sup>8</sup> GPA Petition to Approve the FY2017 GPA CIP Ceiling Cap Budget, GPA Docket 16-13, filed September 14, 2016.

<sup>9</sup> PUC Order, GPA Docket 16-13, dated September 29, 2016, at p. 3.

<sup>10</sup> Bid Specifications for Major Engine Overhaul for Tenjo Vista, Talofofo and Manenggon Diesel Power Plants, GPA Docket 17-03, filed October 14, 2016.

<sup>11</sup> Id., SCOPE OF WORK.



12. The scope of work for each plant is specified in Attachments to GPA's Petition and the draft Invitation for Bids.<sup>12 13</sup>
13. The CCU considers these units to be "critical peaking units for the Island Wide Power System (IWPS) due to their quick start-up capabilities and smaller unit capacities... Major overhauls must be performed on these units to ensure unit availability and restore design efficiency."<sup>14</sup>
14. Although the CCU Resolution indicates that the Major Overhauls "are in line with the manufacturer's recommended schedules per run time hours...", it appears that **"The scheduled recommended run time hours for major overhauls per the manufacturer's recommendation have been exceeded for GPA's Peaking Diesel Units."**<sup>15</sup>
15. Therefore, these major overhauls for the Diesel Peaking Units are necessary to ensure the availability and continued operation of these units. These units are particularly needed over the next few years because GPA currently faces a generation capacity shortage

### ORDERING PROVISIONS

After review of the record herein, GPA's Petition for Approval of the Overhaul of the Diesel Peaking Units, and the PUC Counsel Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission HEREBY ORDERS that:

1. The overhaul of the Diesel Peaking Units, as requested in GPA's Petition, is approved.
2. GPA is authorized to issue an IFB for such overhaul.
3. GPA is authorized to expend up to the amount of \$7,800,000 over a 3-year period using revenue funds.

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<sup>12</sup> Attachment 2 to GPA Petition.

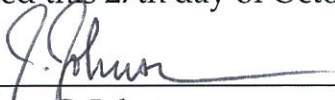
<sup>13</sup> See "Diesel Peaking Major Overhaul Contract, attached to GPA's Petition.


<sup>14</sup> CCU Resolution No. 2016-51, Authorizing the Guam Power Authority to Seek Approval from the PUC for the Peaking Diesel Units Major Overhaul Project, approved on September 27, 2016.

<sup>15</sup> See Cost-Benefit Analysis, Diesel Peaking Major Overhaul Contract, attached to GPA's Petition.

4. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

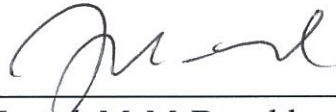
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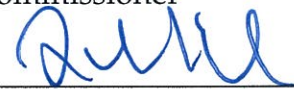
  
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Jeffrey C. Johnson  
Chairman

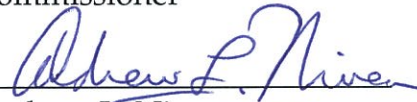
  
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Andrew L. Niven  
Commissioner



**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**



IN THE MATTER OF: ) GPA Docket 17-04  
)  
The Application of the Guam Power )  
Authority Requesting Approval of the ) **ORDER**  
Procurement of a Performance )  
Management contract (PMC) for the )  
Management, Operation and Maintenance )  
of the GPA Fuel Farm Bulk Storage )  
Facility. \_\_\_\_\_

**INTRODUCTION**

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Request of Guam Power Authority ["GPA"] for approval of the Procurement of a Performance Management Contract ["PMC"] for the Management, Operation and Maintenance of the GPA Fuel Farm Bulk Storage Facility.<sup>1</sup>

**BACKGROUND**

2. On July 11, 2012, the PUC approved the Fuel Farm PMC Contract between GPA and Vital Energy Inc. for a base period of three years (June 1, 2012 - May 31, 2015).<sup>2</sup>
3. On April 30, 2015, the PUC approved a two year extension of the PMC with Vital Energy Inc. from June 1, 2015 to May 31, 2017. The Contract provided for a two year extension.<sup>3</sup>
4. The present contract of Vital Energy Inc. will terminate on May 31, 2017. GPA requests that PUC approve a procurement of a PMC for the Management, Operation and Maintenance of the GPA Fuel Farm Bulk Storage Facility in order to select a PMC prior to the termination of Vital's contract.
5. Along with its procurement request, GPA has submitted a draft Invitation for Multi-Step Bid for the Management, Operation and Maintenance of the GPA Fuel Bulk Storage Facility. The IFB contains five Volumes.<sup>4</sup>

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<sup>1</sup> GPA Petition for Approval of the Procurement of a Performance Management Contract (PMC) for the Management, Operation and Maintenance of the GPA Fuel Farm Bulk Storage Facility, GPA Docket 17-04, filed October 7, 2016.

<sup>2</sup> PUC Order, GPA Docket 10-08, dated June 11, 2012.

<sup>3</sup> PUC Order, GPA Docket 10-08, dated April 30, 2015, at p. 3.

<sup>4</sup> Volumes 1 through 5, the draft Invitation for Multi-Step Bid filed on October 10, 2016.

6. In accordance with the Technical and Functional Requirements of the IFB, the PMC will be responsible, *inter alia*, for performance of the following duties:
- Overall Management, Operation and Maintenance of the GPA Fuel Bulk Storage Facility, including all facilities, equipment and appurtenances within its physical boundaries;
  - Uninterrupted transfer of fuel oil product to GPA-Owned and contracted facilities and locations;
  - Duty to ensure that products in GPA's storage tanks meet the Fuel Specifications required by GPA;
  - Submission of a maintenance plan to GPA within three months after the commencement of the contract, and provision of routine repair, maintenance and upkeep of the facility and equipment;
  - Coordination and overseeing of CIP projects of GPA;
  - Maintenance of an inventory for oil spill equipment;
  - Compliance with all requirements of the Oil Pollution Act of 1990 (OPA 90) as necessary for the operations of Fuel Bulk Storage Facility;
  - Bonafide membership in a qualified and certified Spill Response company on Guam that is recognized by federal and regulatory bodies such as the US Coast Guard;
  - Responsibility for obtaining all necessary licenses and permits, including NPDES permit, SPCC Plan and Facility Response Plan;
  - Compliance with all federal and local requirements including, but not limited to mandatory membership with the Guam Response Services Limited (G.R.S.L.) and/or any other qualified and certified Oil Spill Response Companies on Guam and monitoring and report submission in compliance with all applicable environmental regulations, permits, and plans;<sup>5</sup>
7. In Guam Consolidated Commission on Utilities Resolution No. 2016-55, the CCU approved GPA's request to procure a Performance Management Contract (PMC) for the Management, Operation, and Maintenance of the GPA Fuel Farm Bulk Storage Facility.<sup>6</sup>

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<sup>5</sup> Invitation for Multi-Step Bid No. GPA-XXX-16, Volume II, Technical and Functional Requirements at pgs. 6-21, filed October 10, 2016.

<sup>6</sup> Guam Consolidated Commission on Utilities Resolution No. 2016-55, Authorizing Management of the Guam Power Authority to Solicit a Contract for the Management, Operation and Maintenance of GPA's Fuel Bulk Storage Facility, adopted September 27, 2016.



8. The CCU approved the solicitation of a contract with a base period of three (3) years with an option to extend for up to two (2) additional one-year terms.<sup>7</sup>

### **DETERMINATIONS**

9. GPA has submitted a draft Contract with the IFB that the selected bidder would be required to enter into. The Contract for a PMC for the Fuel Bulk Storage Facility should be adequate to require proper performance by the contractor.
10. The contract contains requirements for contractor Insurance and Indemnity.<sup>8</sup>
11. The procurement of the Fuel Farm PMC will contribute to the efficient operation of the Cabras power plants.
12. A PMC for the Fuel Farm is reasonable, prudent and necessary.

### **ORDERING PROVISIONS**

After review of the record herein, GPA's Petition for Approval of Procurement of a Performance Management Contract (PMC) for the Management, Operation and Maintenance of the GPA Fuel Farm Bulk Storage Facility, and the PUC Counsel Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's Procurement of a Performance Management Contract (PMC) for the Management, Operation and Maintenance of the GPA Fuel Farm Bulk Storage Facility is approved.
2. However, since the cost for such a PMC is presently unknown, GPA is required to seek PUC approval of its final PMC Contract.
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

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<sup>7</sup> Id.

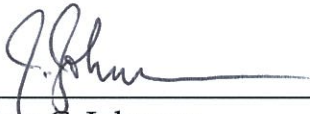
<sup>8</sup> Invitation for Multi-Step Bid No. GPA-XXX-16, Volume IV, Contract, filed October 10, 2016.

Order  
Approval of PMC  
for the GPA Fuel Farm  
Bulk Storage Facility  
GPA Docket 17-04  
October 27, 2016

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regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 27th day of October, 2016.



Jeffrey C. Johnson  
Chairman



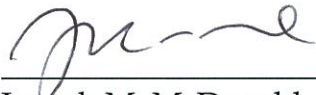
Rowena E. Perez  
Commissioner



Michael A. Pangelinan  
Commissioner

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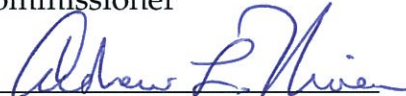
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Joseph M. McDonald  
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Peter Montinola  
Commissioner



Andrew L. Niven  
Commissioner





**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF: ) GPA Docket 17-05  
)  
The Application of the Guam Power )  
Authority Requesting Approval of the ) **ORDER**  
Procurement of Environmental )  
Engineering & Technical Services. )  
\_\_\_\_\_ )

**INTRODUCTION**

1. This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Petition of the Guam Power Authority [“GPA”] Requesting for Approval of the Procurement of Environmental Engineering and Technical Services.<sup>1</sup>

**BACKGROUND**

2. GPA seeks to issue a procurement for Consulting Services and assistance with environmental issues, including the areas of Engineering Planning, Environmental Engineering, Feasibility Studies, and Design and Construction Management Services.<sup>2</sup>
3. GPA requests approval to solicit engineering and technical services through an RFP for a contract with a base period of five (5) years with an option to extend for an additional five (5) years.<sup>3</sup>
4. The proposed contract amount, not to exceed \$1.5M for the five-year base period, would be funded through revenue funds.<sup>4</sup>
5. On June 20, 2011, the PUC approved a five-year contract with TRC Environmental Corporation for the provision of Environmental Engineering & Technical Services, with a five-year option to extend.<sup>5</sup>
6. On April 28, 2016, the PUC approved the extension of the TRC contract for an additional five year period, until May 31, 2021.<sup>6</sup>

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<sup>1</sup> GPA Petition Requesting Approval of the Procurement of Environmental Engineering and Technical Services, GPA Docket 17-05, filed October 7, 2016.

<sup>2</sup> Id. at p. 1.

<sup>3</sup> Id.

<sup>4</sup> Id.

<sup>5</sup> PUC Order, GPA Docket 10-09, dated June 21, 2011, at p. 2-3.

7. The TRC Corporation Environmental Engineering & Technical Services Contract has been extended for five years, but with a limited scope. TRC is limited strictly “to the modeling required by USEPA and Guam EPA” under the Ambient Air Quality Program. “Monitoring” is no longer a part of the TRC Contract.<sup>7</sup>
8. The RFP in GPA Docket 17-05 is designed to “allow the selected firm to provide Engineering Planning, Environmental Engineering, Feasibility Studies, and Design and Construction Management Services, including construction management services related to a new IPP plant.”<sup>8</sup>
9. PUC Counsel filed his Report dated October 22, 2016. Therein he indicates that while TRC’s Environmental Engineering & Technical Services Contract has been extended for five years, GPA now intends to issue a separate contract for other services, including Engineering, Procurement, Construction and Management services for procuring new combined cycle plants and generation.
10. GPA has submitted a proposed RFP along with its Petition, which includes a proposed Contract for Engineering & Technical Services supporting GPA Resource Plans.<sup>9</sup>
11. In the “scope of work”, GPA more fully defines the type of services that it is seeking. It includes such matters as power plant life extension studies, examination of the Fuel Bulk Storage Facility, preparation of design specifications, engineering work and construction/project management for various improvement projects for various GPA power plants, and power plant control system design, specifications and engineering work etc.<sup>10</sup>

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<sup>6</sup> PUC Order, GPA Docket 16-04, dated April 28, 2016.

<sup>7</sup> Email from GPA Counsel Graham Botha to PUC Counsel Fred Horecky, dated October 12, 2016, Re: GPA Docket 17-05, Procurement of Environmental Engineering & Technical Services.

<sup>8</sup> Id.

<sup>9</sup> Attachment to GPA Petition, Request for Proposal No.: GPA-RFP-17-xxx for Engineering & Technical Services Supporting Environmental Engineering, Feasibility Studies, Design and Construction Management.

<sup>10</sup> Id.



12. It also includes engineering and technical services for environmental/regulatory and compliance processes, "Engineering, Design, Construction and Project Management".<sup>11</sup>
13. GPA apparently intends that the selected contractor could perform all of the work or services that the EPCM would provide upon any new base-load combined cycle plants.
14. The Guam Consolidated Commission on Utilities, in Resolution No. 2016-58, authorized the General Manager to proceed with the solicitation for Engineering and Technical Services to Support Environmental Engineering Feasibility Studies, Design and Construction Management.<sup>12</sup>

#### **DETERMINATIONS**

15. GPA has a need to procure engineering and technical services.
16. However, it appears that GPA has included contract functions in this contract which are already separately funded. Including functions which are separately bond funded and revenue funded in one contract could lead to confusion.
17. In the Public Hearings on new generation and combined cycle units conducted on October 4, 5, and 6, 2016, GM Benavente indicated the plan of GPA to contract for an Engineering Procurement, Construction, and Management Contractor (EPCM) to assist it with the procurement for new combined cycle units. He indicated that the cost of such contract would be \$750,000, and would be a onetime expense. The \$750,000 will be funded from the 2014 Bond Funds.
18. GPA intends to fund the engineering and technical services under the present procurement for three years, at \$1.5M, from revenue bonds.
19. Since the EPCM Contract would be a onetime expense, and funded fully from Bond Funds, such services related to the new generation and combined cycle plants should be bid out separate and apart from this present contract. Separate funding

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<sup>11</sup> Id.

<sup>12</sup> CCU Resolution No. 2016-58, Authorizing Management of the Guam Power Authority to Solicit the Services of a Firm or Consortium of Firms to provide engineering and technical services to support GPA's resource plans in the areas of engineering planning, environmental engineering, feasibility studies, design and construction management, adopted September 27, 2016.

and contracts will also assist PUC in monitoring the cost of the EPCM and the combined cycle plants.

20. Although this will mean that there are three separate contracts for engineering and technical services, the EPCM Contract is specifically related to the procurement, construction and development of the new combined cycle plants. Those tasks should be the separate focus of the EPCM Contractor.
21. GPA has demonstrated a need for a separate contract for engineering and technical services distinct and apart from the scope now performed by TRC Corporation (related to environmental modeling required by USEPA and Guam EPA).
22. Therefore, it is reasonable, prudent, and necessary that GPA be allowed to issue a procurement for the engineering and technical services indicated in the scope of work, but without the EPCM services for the new combined cycle plants.
23. EPCM services, which are funded entirely by Bond Funds and for a onetime/one year expense, should be handled in a separate contract and through separate funding.

#### **ORDERING PROVISIONS**

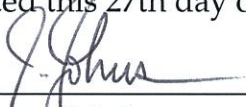
After review of the record herein, GPA's Petition for Approval of the Procurement of Environmental Engineering and Technical Services, and the PUC Counsel Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission HEREBY ORDERS that:

1. GPA's Petition for procurement of Environmental Engineering & Technical Services is approved.
2. However, GPA should remove any of the tasks from this contract for Engineering, Procurement, Construction, and Management Services related to new generation and the combined cycle plants. The EPCM should be procured separately. It will be funded separately by Bond Funds and is only a one time/one year contract.
3. GPA is authorized to expend a contract amount not to exceed \$1.5M for the five-year base period of the contract for Environmental Engineering & Technical Services, to be funded through revenue funds.



4. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure.

Dated this 27th day of October, 2016.

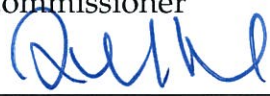
  
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Chairman

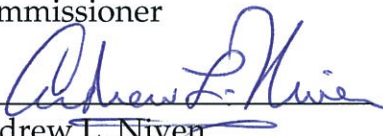
  
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Andrew L. Niven  
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF: ) GPA Docket 17-06  
)  
Guam Power Authority's Request to Fund )  
the GPA-Navy Renewables Integration ) **ORDER**  
System Study. )  
)  
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INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of Guam Power Authority ["GPA"] for Contract Review and Approval of Funding of the GPA-Navy Renewables Integration System Study.<sup>1</sup>
2. GPA seeks approval from the PUC of funding for a GPA-Renewables Integration System Study in the amount of \$895,377.
3. GPA proposes the cost for this Study be paid from the remainder of the LNG Initial Start Up application of the 2014 bond funds.

BACKGROUND

4. GPA presently has an operational utility scale photovoltaic solar facility in Dandan of 25.65MW. On October 19, 2016, GPA is expected to close solicitation for Phase II of its Renewable Acquisition for up to 60MW of renewable resource capacity for Power Purchase Agreements.<sup>2</sup>
5. As of the end of July 2016, GPA has processed over 1098 net metering customers totaling over 11MW of installed rated capacity (since 2009). GPA and Navy have successfully negotiated a lease of approximately 164 acres of Navy Land for GPA development of approximately 45MW solar photovoltaic installations.<sup>3</sup>
6. GPA has determined that it needs a study to "holistically evaluate integration of all existing Renewable Energy in the grid including the 1MW of solar on Navy to date, GPA's Solar and Wind projects (~27MW), GPA NEM customers (11MW) and future

<sup>1</sup> GPA Petition for Funding of the GPA-Navy Renewables Integration System Study, GPA Docket 17-06, filed October 7, 2016.

<sup>2</sup> Guam Consolidated Commission on Utilities Resolution No. 2016-59, authorizing Management of the Guam Power Authority (GPA) to Fund the GPA/Navy System Improvement Study for Renewables Integration, adopted on September 27, 2016.

<sup>3</sup> Id. at pgs. 1-2.



renewable energy integration projects including 50MW from Navy, 100MW from Phase II and Phase III, and an evaluation of projected additional NEM customers.<sup>4</sup>

7. The purpose of the study will be as follows:

- Use the identified impacts to evaluate integration requirements for each group of projects on the Navy and GPA systems;
- Evaluate the impacts using several generation plans;
- Analyze a wide array of potential solutions to mitigate the effects of the intermittent generation to the transmission and distribution systems;
- Recommend plans to reliably integrate these renewable resources to the transmission, distribution, and generation systems.<sup>5</sup>

8. It is anticipated that this study will take 3-6 months to complete.<sup>6</sup>

9. The total cost for this Integration study will be \$1,145,377. Mr. Andriano E. Balajadia, a certified local Professional Engineer, has retained the subcontractor Electric Power Systems. The Navy has deemed EPS to be a qualified firm, as it has performed numerous studies for Hawaiian utilities. It has also done prior work for the Guam Power Authority on the energy storage systems.<sup>7</sup>

10. The total cost of this integration study is \$1,145,377. The Navy has agreed to pay \$250,000 toward the cost of this study.<sup>8</sup>

11. GPA intends to pay the balance of the cost for the Integration Renewables Integration Study, \$895,377, from the 2014 Bond Funds originally allocated for LNG Initial Start Up in the amount of \$3M. GPA has indicated that such funds are

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<sup>4</sup> Id at p.2.

<sup>5</sup> Letter from A.E. Balajadia, P.E. to John C. Cruz, Jr., Manager of GPA SPORD, Re: System Improvement Plan for Renewables-Guam Power Authority, dated April 12, 2016 ["Exhibit A" to CCU Resolution No. 2016-59].

<sup>6</sup> Issues for Decision, Resolution No. 2016-59, at 133 of the Commissioner Board Materials for the CCU September 27, 2016 Regular Meeting.

<sup>7</sup> Guam Consolidated Commission on Utilities Resolution No. 2016-59, authorizing Management of the Guam Power Authority (GPA) to Fund the GPA/Navy System Improvement Study for Renewables Integration, adopted on September 27, 2016, at p. 3.

<sup>8</sup> Issues for Decision, Resolution No. 2016-59, at 133 of the Commissioner Board Materials for the CCU September 27, 2016 Regular Meeting; see also GPA-NAVFAC MOA: SYSTEM IMPROVEMENT PLAN FOR RENEWABLES, Contract Number N40192-16-H-5001.

remaining in the original funded amount. The GPA cost for this study will be funded from bond funds.

### **DETERMINATIONS**

12. Upon the commercial operation of the 25.65MW Solar PV facility in Dandan, the GPA system has been further impacted by the addition to the grid of 11MW from the net metering program. The net metering program is increasing rapidly and will add more renewable energy to the grid.
13. GPA is concerned about continued integration of intermittent renewable systems without mitigation. As GPA continues to integrate renewables, it believes that it must evaluate integration without sacrificing grid stability and reliability.<sup>9</sup>
14. The problem that GPA faces in integrating renewable energy into the IWPS is real. In its Presentation on New Generation Combined Cycle Plant in October 2016 at the Public Hearings, GPA demonstrated that the solar energy at the Dandan Plant is intermittent due to cloud cover. A burden is placed upon other generators to increase production when the production of the solar plant decreases.
15. Due to the intermittency of renewable solar energy, GPA has recognized that battery storage is an essential element of the renewable program. It is already seeking to provide such storage for the Dandan Plant and to require bidders to include battery storage in the Phase 2 Renewable program. Battery storage will likely also be required with the anticipated GPA-Navy renewable plants of up to 45MW.
16. A study which seeks to determine how renewable energy can be better integrated into the IWPS is necessary.
17. On numerous occasions GPA has indicated that the introduction of utility scale renewables into the IWPS has caused intermittency and reliability issues. The study is specifically designed to recommend plans to integrate renewable resources into the transmission, distribution and generation systems. It will evaluate the ability of the transmission system to incorporate the proposed renewable energy projects.

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<sup>9</sup> Issues for Decision, Resolution No. 2016-59, at 133 of the Commissioner Board Materials for the CCU September 27, 2016 Regular Meeting; see also GPA-NAVFAC MOA: SYSTEM IMPROVEMENT PLAN FOR RENEWABLES, Contract Number N40192-16-H-5001.



18. Mr. Balajadia has subcontracted Electric Power Systems Inc. to perform the study. EPS will undertake the project tasks and also perform a System Improvement Plan for Renewables for the proposed GPA and Department of Navy renewable energy projects.
19. GPA has established that the proposed Renewables Integration System study is reasonable, prudent and necessary. It would be difficult to imagine that GPA could proceed with the various solar projects that it is contemplating without undertaking this type of study.

### **ORDERING PROVISIONS**

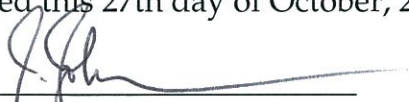
After review of the record herein, GPA's Petition to Fund the GPA-Navy Renewables Integration System Study, and the PUC Counsel Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission HEREBY ORDERS that:

1. The GPA-Navy Renewables Integration System Study is approved.
2. The study is necessary so that GPA can properly integrate renewables into the IWPS.
3. GPA is authorized to expend the amount of \$895,377 from the 2014 Bond Fund allocation of \$3M to LNG Initial Start Up.
4. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure of the Guam Public Utilities Commission.


Order  
Approval for Contract Review  
and Funding of the GPA-Navy  
Renewables Integration System Study  
October 27, 2016

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Dated this 27th day of October, 2016.

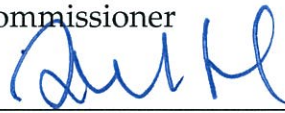
  
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Jeffrey C. Johnson  
Chairman

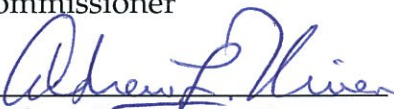
  
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Andrew L. Niven  
Commissioner





**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF: ) GPA Docket 17-07  
)  
The Petition of the Guam Power Authority)  
for Approval of Insurance Contract ) **ORDER**  
Renewal. )  
)  
)  
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**INTRODUCTION**

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of Guam Power Authority ["GPA"] for Review and Approval of Property Insurance Policy Renewal.<sup>1</sup>
2. The term of GPA's current Property Insurance Policy is for a 3-year period, from November 1, 2013 to November 1, 2016, with two one year options to extend.
3. GPA now seeks to renew its contract with AM Insurance for GPA's Property Insurance for a two (2) year renewal period from November 1, 2016 to November 1, 2018.

**BACKGROUND**

4. In GPA Docket 16-14, the PUC considered GPA's request to issue an Invitation for Bid for the new Property Insurance Policy to be effective November 1, 2016.<sup>2</sup>
5. The PUC denied GPA's request to issue a procurement. The PUC found that GPA had initiated the procurement in violation of the Contract Review Protocol, since there was no prior PUC approval for the procurement. GPA also failed to provide PUC with sufficient time or opportunity to review the final insurance award.<sup>3</sup>
6. However, in its Order, the PUC noted that GPA had the remedy or option of renewing the existing policy for one or two years.<sup>4</sup>
7. GPA has now negotiated a renewal with its Insurance Underwriters for the period of November 1, 2016 to November 1, 2018.<sup>5</sup>

<sup>1</sup> GPA Petition for Approval of Insurance Contract Renewal, GPA Docket 17-07, filed October 12, 2016.

<sup>2</sup> PUC Order, GPA Docket 16-14, dated September 29, 2016.

<sup>3</sup> Id.

<sup>4</sup> Id. at p. 4.

8. The original offer of the Insurance Underwriters was to renew the Property Insurance Policy for the 2-year period with an annual installment premium of \$6,662,309.<sup>6</sup>
9. GPA, through its Chief Financial Officer, was able to negotiate a reduction in the annual premium for the 2-year period from \$6,662,309 to \$6,450,000.
10. Certain policy endorsements have been revised for the proposed renewal. GPA is required to implement certain provisions requiring monitoring of plant operations by its PMC; if the new stipulations are not implemented, GPA's deductible could increase beyond the present amount of \$2,500,000.<sup>7</sup>
11. GPA negotiated the addition to the policy of Cyber Coverage, with a \$5MM sub-limit, with no additional premiums.<sup>8</sup>
12. On October 25, 2016, the Guam Consolidated Commission on Utilities, in Resolution No. 2016-60, authorized GPA to renew the current property insurance for two one-year policy periods.<sup>9</sup>

### **DETERMINATIONS**

13. There is urgency for immediate action regarding the property insurance policy renewal. The present policy would otherwise expire on November 1, 2016.
14. The PUC has previously recognized that GPA's Bond Indenture Agreement requires GPA to secure and maintain property insurance on all facilities constituting the system against risks of loss or damage, to the extent that such insurance is obtainable at reasonable cost.<sup>10</sup>

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<sup>5</sup> Letter dated October 12, 2016, from Moylan's Insurance Underwriters Inc. to AM Insurance, Re: GPA 2016 Renewal.

<sup>6</sup> GPA Petition for Approval of Insurance Contract Renewal, GPA Docket 17-07, filed October 12, 2016, at p. 1.

<sup>7</sup> Letter dated October 12, 2016, from Moylan's Insurance Underwriters Inc. to AM Insurance, Re: GPA 2016 Renewal, at p. 1.

<sup>8</sup> Id. at p. 2.

<sup>9</sup> Guam Consolidated Commission on Utilities Resolution No. 2016-60, Relative to the Authorization of the Guam Power Authority to Renew the Current Property Insurance for Two One-Year Policy Periods, adopted October 25, 2016.

<sup>10</sup> PUC Order, GPA Docket 16-14, dated September 29, 2016, at p. 1.



15. GPA, in reality, has little choice but to obtain such insurance. It is required to do so as one of the measures that protects both itself and holders of GPA bonds.
16. Between 2008 and 2014, the annual premiums on GPA's property insurance policy ranged from \$5.237M to \$5.406M.<sup>11</sup>
17. The proposed policy premium is now over \$1M higher than previous premium levels. However, GPA has consistently predicted that the insurance premium for the upcoming policy period could well be between \$6M and \$7M.<sup>12</sup>
18. While the renewal cost for the property insurance premiums appears to be high, such increase may be the result of the explosion and fire at the Cabras 3 & 4 plants in 2015. There is a pending insurance claim regarding this event, and such could be a factor in the increase in the premium.
19. GPA does require such property insurance, so it does not have an option other than to pay the negotiated property insurance annual premiums.
20. The contract renewal for GPA's Property Insurance for the policy period beginning November 1, 2016 for a two (2) year renewal period is reasonable, prudent and necessary, and required by GPA's bond indenture.

### **ORDERING PROVISIONS**

After review of the record herein, GPA's Petition for Approval of Property Insurance Renewal, 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' renewal of its Property Insurance Contract for the period from November 1, 2016, through November 1, 2018, is approved.
2. GPA is authorized to expend up to the amount of \$6,450,000 as the annual policy premium.
3. GPA is ordered to pay the Commission's regulatory fees and expenses,


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<sup>11</sup> PUC Order, GPA Docket 13-04, dated October 29, 2013, at p. 2.

<sup>12</sup> GPA Petition for Approval for Insurance Invitation for Bids, GPA Docket 16-14, filed September 8, 2016, at p.1.

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 §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.


Dated this 27th day of October, 2016.

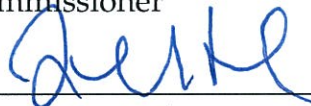
  
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Jeffrey C. Johnson  
Chairman

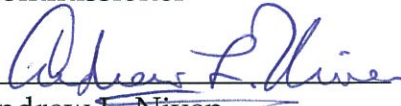
  
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